PRIEST RAPIDS AND COUGAR HYDROELECTRIC PROJECTS

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HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON PUBLIC WORKS UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

SECOND SESSION

ON

S. 1793

A BILL TO PROVIDE FOR THE DEVELOPMENT OF THE PRIEST RAPIDS SITE ON THE COLUMBIA RIVER, WASH.

AND

S. 2920

A BILL TO PROVIDE FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE COUGAR DAM AND RESERVOIR ON THE SOUTH FORK McKENZIE RIVER, OREG., WITH PARTICIPATION FOR POWER BY THE CITY OF EUGENE, OREG.

MAY 20, 1954

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PRIEST RAPIDS HYDROELECTRIC PROJECT

THURSDAY, MAY 20, 1954

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
SUBCOMMITTEE ON FLOOD CONTROL—RIVERS AND HARBORS,
Washington, D. C.

The subcommittee met at 9:07 a. m., pursuant to call, in room 412, Senate Office Building, Senator Prescott Bush (chairman of the subcommittee) presiding.

Present: Senators Bush, Upton, Stennis, Burke, and Morse.

Also present: Senators Magnuson, Jackson, and Cordon and Mr. Ellsworth W. Bassett, chief clerk.

Senator BUSH (chairman of subcommittee). The committee will come to order.

We have up for consideration this morning S. 1793 and H. R. 7664, bills to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

A copy of S. 1793 and H. R. 7664 will be made a part of the record at this point.

(S. 1793 and H. R. 7664 are as follows:)

[S. 1793, 83d Cong., 2d sess.]

AMENDMENT (IN THE NATURE OF A SUBSTITUTE)

Intended to be proposed by Mr. Magnuson (for himself and Mr. Jackson) to the bill (S. 1793) to provide for the development of the Priest Rapids site on the Columbia River, Washington, under a license issued pursuant to the Federal Power Act, viz: Strike out all after the enacting clause and insert the following:

That the Flood Control Act of 1950 (64 Stat. 170, 179), insofar as it adopted and authorized to be prosecuted the Priest Rapids Dam on the Columbia River, Washington, substantially in accordance with the plans recommended in the report of the Chief of Engineers dated June 28, 1949, contained in House Document Numbered 531, Eighty-first Congress, second session, is hereby modified to permit the development of the Priest Rapids site by Public Utility District Numbered 2, of Grant County, Washington, or such district or its successor in combination with such other utilities as it may legally affiliate with, or by any division, subdivision, agency or commission of the State of Washngton of which it may be a member, under and in accordance with the terms and conditions of a license duly issued pursuant to the Federal Power Act, and in accordance with this Act.

SEC. 2. The Priest Rapids reservoir site shall be developed to utilize the optimum capabilities of the site as a part of the comprehensive plan for economically feasible control and utilization of the water resources for flood control, navigation, power, and other beneficial purposes. Before a license is issued, an applicant for a license shall submit a report on the details of its plans for development to the Federal Power Commission with particular reference to the integration of the proposed Priest Rapids development as a part of the comprehensive plan.

SEC. 3. The Department of the Army shall review any plans submitted to the Federal Power Commission for the purpose of acquiring a license to develop the Priest Rapids site or any other site in connection therewith, and shall make recommendations with respect to such plans to the Commission, with particular regard to flood control and navigation.

SEC. 4. The license may provide for the addition of navigation locks and flood control features by the Department of the Army at Federal expense, either as a part of the initial construction or at a later date. In the event that nonpower features are to be provided as part of the initial construction, an allocation of costs to such features shall be approved by the Federal Power Commission, taking into consideration recommendations by the Department of the Army and licensee, and funds to cover such costs may be appropriated and may be transferred by the Chief of Engineers to the licensee. If such navigation and flood control facilities are not provided initially the licensee shall provide at its own expense the basic features for future installation of navigation and flood control facilities.

SEC. 5. Upon request by the licensee the Corps of Engineers under direction of the Secretary of the Army shall be authorized to receive contributed funds and act as constructing agency for part or all of the project, including acquisition of lands, easements, rights-of-way, or other interests in land in accordance with Federal laws and procedures governing flood-control projects and subsequent conveyance thereof to the licensee.

SEC. 6. The operation and maintenance of a project under license pursuant to this Act shall be subject to reasonable rules and regulations by the Secretary of the Army in the interest of flood control and navigation.

SEC. 7. If an application for a preliminary permit for a license under the Federal Power Act to authorize the development of the Priest Rapids site is not prosecuted with reasonable diligence before the Federal Power Commission and in any event if the license application is not filed with the Federal Power Commission prior to the date which is two years after the enactment of this Act, the provisions of this Act shall not be effective after such date and the authorization for the development of the Priest Rapids site contained in the Flood Control Act of 1950 shall have the same status it would have had if this Act had not been enacted. In the event an application for a license is made and denied by the Federal Power Commission, or if construction under a license is not carried out in a reasonable period of time as determined by the Federal Power Commission, the authorization in the Flood Control Act of 1950 will have the same status it would have had if this Act had not been enacted. Notwithstanding any other provision of law, the Federal Power Commission shall act, on any such application filed with it prior to such date, within one year after the date on which such application is so filed.

[H. R. 7664, 83d Cong., 2d sess.]

AN ACT To provide for the development of the Priest Rapids site on the Columbia River, Washington, under a license issued pursuant to the Federal Power Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Flood Control Act of 1950 (64 Stat. 170, 179), insofar as it adopted and authorized to be prosecuted the Priest Rapids Dam on the Columbia River, Washington, substantially in accordance with the plans recommended in the report of the Chief of Engineers dated June 28, 1949, contained in House Document Numbered 531, Eighty-first Congress, second session, is hereby modified to permit the development of the Priest Rapids site by Public Utility District Number 2, of Grant County, Washington, or such district or its successor in combination with such other utilities as it may legally affiliate with or by any division, subdivision, agency, or commission of the State of Washington under and in accordance with the terms and conditions of a license duly issued pursuant to the Federal Power Act and in accordance with this Act.

SEC. 2. The Priest Rapids Reservoir site shall be developed to utilize the optimum capabilities of the site as a part of the comprehensive plan for economically feasible control and utilization of the water resources for flood control, navigation, power, and other beneficial purposes. Before a license is issued, an applicant for a license shall submit a report on the details of its plans for development to the Federal Power Commission with particular reference to the integration of the proposed Priest Rapids development as a part of the comprehensive plan.

SEC. 3. The Department of the Army shall review any plan submitted to the Federal Power Commission for the purpose of acquiring a license to develop the Priest Rapids site or any other site in connection therewith and shall make recommendations with respect to such plans to the Commission with particular regard to flood control and nav'gation.

SEC. 4. The license may provide for the addition of navigation locks and flood-control features by the Department of the Army at Federal expense, either as a part of the initial construction or at a later date. In the event that nonpower features are to be provided as part of the initial construction, an allocation of costs to such features shall be approved by the Federal Power Commission taking into consideration recommendations by the Department of the Army and licensee, and funds to cover such costs may be appropriated and may be transferred by the Chief of Engineers to the licensee. If such navigation and flood-control facilities are not provided initially the licensee shall provide at its own expense the basic features for future installations of navigation and flood-control facilities.

SEC. 5. Upon request by the licensee the Corps of Engineers under direction of the Secretary of the Army shall be authorized to receive contributed funds and act as constructing agency for part or all of the project, including acquisition of lands, easements, rights-of-way, or other interest in land in accordance with Federal laws and procedures governing flood-control projects and subsequent conveyance thereof to the licensee.

SEC. 6. The operation and maintenance of a project under license pursuant to this Act shall be subject to reasonable rules and regulations by the Secretary of the Army in the interest of flood control and navigation. To assure that there shall be no discrimination between States in the area served by the project, such license shall provide that the licensee shall offer a reasonable portion of the power capacity and a reasonable portion of the power output of the project for sale within the economic market area in neighboring States and shall cooperate with agencies in such States to insure compliance with this requirement: *Provided*, That in the event of disagreement between the licensee and the power marketing agencies (public or private) in any of the other States within the economic market area, the Federal Power Commission may determine and fix the applicable portion of power capacity and power output to be made available hereunder and the terms applicable thereto.

SEC. 7. If an application for a preliminary permit for a license under the Federal Power Act to authorize the development of the Priest Rapids site is not prosecuted with reasonable diligence before the Federal Power Commission and in any event if the license application is not filed with the Federal Power Commission prior to the date which is two years after the date of the enactment of this Act, the provisions of this Act shall not be effective after such date and the authorization for the development of the Priest Rapids site contained in the Flood Control Act of 1950 shall have the same status it would have had if this Act had not been enacted. In the event an application for a license is made and denied by the Federal Power Commission, or if construction under a license is not carried out in a reasonable period of time as determined by the Federal Power Commission, the authorization in the Flood Control Act of 1950 will have the same status it would have had if this Act had not been enacted. Notwithstanding any other provision of law, the Federal Power Commission shall act, on any such application filed with it prior to such date, within one year after the date on which such application is filed.

Passed the House of Representatives May 19, 1954.

Attest:

LYLE O. SNADER, *Clerk*.

Senator BUSH. The first witness we will hear this morning will be Senator Magnuson.

STATEMENT OF HON. WARREN G. MAGNUSON, A UNITED STATES SENATOR FROM THE STATE OF WASHINGTON

Senator MAGNUSON. I have a statement here which has been somewhat quickly prepared, but it represents the joint views of both Senator Jackson and myself.

I am pleased to see that General Itschner is here who understands and has a background of the situation.

Mr. Chairman and members of the committee, on April 28, 1953, Senator Jackson and I introduced S. 1793, a bill to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license to be issued pursuant to the Federal Power Act. Then on January 19, 1954, we introduced jointly an amendment in the nature of a substitute. We are directing our remarks this morning to the amendment rather than to the original bill.

For the benefit of committee members who may not have had the opportunity of knowing the geography of the State of Washington, I will identify the portion of the Columbia River affected by this bill and give you a brief résumé of the circumstances which bring this particular piece of legislation before us.

Priest Rapids is a dam site on the main stem of the Columbia River located 10 or 12 miles upstream from the Hanford Engineering Works at Richland, Wash., and about 15 miles upstream from a point where the Snake River runs into the Columbia, which is the eastern part of the State near the border of Oregon. The site is about 25 to 30 miles downstream from an existing dam known in the area by the name of Rock Island. The existing dam was built originally by the Puget Sound Power & Light Co. or Seattle, and still furnishes power for that private utility.

In 1950 Congress authorized Priest Rapids Dam for construction by the Corps of Engineers. It was included in the 1950 Flood Control Act and is an integral unit in the comprehensive plan for the development of Columbia River and its tributaries. As recommended in House Document No. 531, the initial installation of power facilities would develop about 1,200,000 kilowatts with an ultimate installation of 1,500,000 kilowatts.

The committee can readily see from these figures that the Priest Rapids stretch of the Columbia River some 30 miles in length is exteremely important to the present and future growth of the Pacific Northwest. It is essential that any dam or dams constructed in this stretch of the river conform to the concept of comprehensive development. Both Senator Jackson and I would be adamantly opposed to any proposal which would get less than the full potential of power and other benefits from this particular stretch of the river. We believe in comprehensive and integrated development of the great Columbia River system. We have fought for such development throughout our congressional careers and do not propose at this time to deviate from those principles. We will have more to say on this and related facets of Federal power policy of a later point in this statement.

The Corps of Engineers, Bureau of the Budget, the Department of Interior, and the Federal Power Commission have all reported favorably to you on this bill, and I suppose those reports will be a part of the record, as amended by our substitute of January 19, 1954.

There is one additional set of facts the committee should have in mind before we proceed to a discussion of the legislation itself.

The Pacific Northwest possesses over 40 percent of the hydroelectric power potential of the Nation. The Columbia River and its tributaries are capable of producing more than 30 million kilowatts of power. Despite this terrific potential, however, our region confronts a critical power shortage. To meet our growing needs the experts estimate that we should have about 600,000 kilowatts coming

on the line each year progressively. Our power requirements arising from internal growth have been doubling every 10 years. Even if we did not do a thing out there our power needs have doubled. Even with projects now underway, it is estimated that we will lack 2 million kilowatts of meeting our anticipated demand by 1960—unless, of course, new projects are brought into production at an accelerated rate.

Recognizing this fact the Public Utility District of Grant County, Washington, took the lead in exploring the possibility of constructing Priest Rapids Dam. Other public-utility districts and municipalities, owning their own electric systems, encouraged Grant County in this effort and are prepared to join with this county in financing and constructing the project. Under our State law, public-utility districts are empowered to construct generating facilities either alone or in combination with other public bodies.

In January of this year, 20 or more public agencies of Washington State joined together to form an operating agency. This group or a substantial part of it will probably seek a license to develop the Priest Rapids stretch of the Columbia River if the Congress approves S. 1793. It is important for the committee to keep in mind, however, that the Public Utility District of Grant County has taken the lead in this matter and to date has put up all of the money which has been expended to explore the feasibility of constructing this project.

Senator BUSH. How do they get the money?

Senator MAGNUSON. Grant County is a distributor of electric power and they have a revolving fund for the sale of power.

Senator BUSH. That is a going concern?

Senator MAGNUSON. A going concern all the time; yes, sir.

Senator JACKSON. It is an operating agency and markets power from Federal projects in the area.

Senator BUSH. No taxing power?

Senator JACKSON. They can levy up to a certain amount.

Senator MAGNUSON. They are limited.

Senator JACKSON. There is a ceiling. The public-utility commission districts are self-supporting, so there is no real problem as a practical operating matter.

They also pay taxes in lieu of local real-estate taxes in the community. In addition, there is an excise tax. In effect, the status quo insofar as taxes are concerned is maintained.

Senator BUSH. Are these public-utility districts—and this is something new to me—are they licensed by the State? Where do they get the authority?

Senator MAGNUSON. It is created by State law. They are like a port district or a school district.

Senator JACKSON. The public utilities district is a municipal subdivision of the State of Washington.

Senator MAGNUSON. They are geographically limited to counties. When they use the term Grant County, it is like a school district or a port district for the purpose of distributing and marketing power.

Senator BUSH. They are authorized by State law and, I presume, are under the public utility commissioner of the State.

Senator MAGNUSON. They have to file their rate schedules.

Senator JACKSON. But I do not think the State public service commission—and I may be wrong—I do not think they go before them.

Senator MAGNUSON. They go before them and file their rates.

Senator BUSH. I should think they would.

Senator MAGNUSON. The project will cost in the neighborhood of $360 million. It will be financed by the sale of revenue bonds. As the committee knows, these are not general obligation bonds. They are bonds which, in effect, represent a mortgage on the revenues produced through sale of power from the project. The key to financing the project, therefore, is not the physical assets owned by the local groups but the feasibility of the project itself—the net revenues the project will produce. I am sure the chairman is familiar with the background of revenue bonds.

Senator BUSH. Those are tax-exempt bonds.

Senator JACKSON. As are all municipal bonds.

Senator BUSH. Yes.

Senator MAGNUSON. Now what does the amendment in the nature of a substitute to S. 1793 provide?

First, the legislation modifies the authorization of Priest Rapids Dam as contained in the Flood Control Act of 1950, to permit Grant County Public Utility District and/or such other public agencies as may wish to join with it to seek a license from the Federal Power Commission. If the license is granted, the local government agency or agencies have the opportunity to see whether they can finance the project, and if they can they will have the authority to proceed with construction.

If the Federal Power Commission refuses a license, or if the FPC grants a license and the local government agencies are unable to finance the project within a reasonable time, the 1950 authorization of Priest Rapids Dam reverts to its present status. The 1950 authorization of the project for construction by the Corps of Engineers will become operative just as though S. 1793 had never been enacted. In other words, the legislation gives the local groups a chance to see what they can do. If they can't perform, Priest Rapids will still be authorized as provided by Congress.

Senator BUSH. In that event, Congress might appropriate the money to build a dam?

Senator MAGNUSON. That is right. They can do that.

Second, the legislation stipulates that the Priest Rapids Reservoir site must be developed to conform to the comprehensive plan already approved by Congress. And we know out in our State that that is the 308 Report. The Federal Power Commission is directed to require this as a condition in any license it may issue. This provision of the bill will prevent underdevelopment of the site and that is very important to us. It will insure that no portion of the benefits available in this stretch will be lost to the region and the country.

Third, S. 1793 stipulates that the Department of the Army shall review any plans submitted by the local groups to the Federal Power Commission with particular regard to flood control and navigation. This provision will obviate any possibility that plans developed by the local groups fail to obtain navigation and flood control benefits. It also insures that the Corps of Engineers have an opportunity to review plans to make certain that the designs and specifications actually get from the river the full power potential—that the plans actually conform to the concept of comprehensive development. That

is the whole plan that has been worked out. We have worked on that for 20 some years.

Fourth, the bill authorizes the construction of navigation and flood-control features in connection with the project. These features may be added either during initial construction or at a later date. Since navigation and flood-control benefits are nonreimbursable, the Federal Government would stand those costs when and if the Congress decides to appropriate the funds. Local groups, however, will have to make provision in their designs for the addition of these features at their own expense.

Senator BUSH. In the hope they get their money back?

Senator MAGNUSON. In the hope that Congress agrees with them and comes in with them on the flood control and navigation features, then probably there will have to be some adjustments, but the dam has to be designed to take care of that possibility.

Senator BUSH. How important are the flood-control features on that?

Senator MAGNUSON. I think Senator Jackson will agree with me, I think the flood control outweighs the navigation features.

General ITSCHNER. The navigation features at this time are not important, but they may develop in the future.

Senator JACKSON. I believe that there is involved about 2 million acre-feet of storage.

General ITSCHNER. 2,100,000 acre-feet.

Senator JACKSON. 2,100,000 acre-feet of possible flood storage area that some sort of accommodation should be made for.

Senator MAGNUSON. And the atomic energy plant at Hanford is just below this site, about 20 miles below the site on the stretch on the river which would make flood control vitally important.

Fifth, the legislation provides that the Corps of Engineers, if requested to do so by the licensee, may undertake actual construction of the project. The licensee would turn over to the corps the funds obtained from sale of revenue bonds and with these funds the corps would proceed with construction. It would act as the constructing agent for the licensee.

Sixth, the project when completed would have to be operated and maintained in accordance with reasonable rules and regulations stipulated by the Secretary of Army in the interest of flood control and navigation. This means that the public utility districts would have to operate the project so that it would contribute to the control of floods on the Columbia and to navigation.

Finally in section 7, the local groups are required to file an application for a license within 2 years following enactment of the act. If the application is not filed within 2 years this legislation becomes null and void and Priest Rapids reverts to its present authorized status. In addition section 7 stipulates that if the application for license is denied the project reverts to its present status. Further, the section states that if the license is granted and construction on the project is not started within a reasonable time the authorization and the Flood Control Act of 1950 again becomes controlling. In addition the Federal Power Commission is directed to act on the application within 1 year after it is filed.

So much for the language of S. 1793 as it now stands. And I see Senator Morse is here who is also vitally concerned with that.

Mr. Chairman, there is one other very important aspect to this matter which I wish to present.

Mr. Chairman, at the beginning of these remarks I was discussing the concept of comprehensive development. You will recall my statement that we would have more to say on this and related facets of Federal power policy at a later point in this statement. I come now to that part of our testimony.

We are discussing legislation affecting a single project on the Columbia River. The decision the Congress makes on this, however, may affect many other projects already authorized by Congress on the Columbia and its tributaries. S. 1793 and its counterpart in the House, H. R. 7664, cannot properly be considered without some reference to the effect on the overall Federal power policy.

I am sure a majority of the people in the Northwest would prefer to see the Federal Government construct Priest Rapids Dam. The primary reason that this legislation is before you stems from the fact that there have been no new starts in the Pacific Northwest for 2 years and this year there are no funds in the budget to initiate construction on new dams. And I can say that with some authority because yesterday afternoon we just wrote up the civil functions bill and Senator Stennis was there. The administration apparently has decided that budgetary considerations prohibit investment of Federal funds beyond the amount required to keep present projects going at a minimum rate. Under these circumstances Grant County Public Utility District and other local government agencies came to Senator Jackson and me with the suggestion that they try their hand at financing the Priest Rapids project.

We were willing to go along with the proposal provided certain fundamental principles in our Federal power policy are preserved. We were thinking specifically of the requirement that any stretch of the river be developed to its full potential and that in the sale of power, public bodies and cooperatives receive preference.

When Senator Jackson and I introduced S. 1793 we debated the wisdom of inserting a preference clause. At that time we decided tentatively that the preference clause was not necessary, because the groups who may apply for a license under S. 1793 are nonprofit local government agencies. We assumed that the power from Priest Rapids would be absorbed in the main by these local government agencies which would become the licensees and which are presently retailers of electric power. Since they serve domestic and rural consumers we thought at the time we introduced the bill the preference principle would prevail in actual practice.

Now a new element has been injected into the picture—something we could not foresee at the time we introduced the original legislation.

The House Public Works Committee added two amendments to its bill. It is a similar bill. One of these amendments would authorize the Washington State Power Commission to construct Priest Rapids in the event Grant County Public Utility District or the other local government agencies with which it is affiliated failed to do so. The law which created the Washington State Power Commission contains

no preference and priority clause. And I call this to the particular attention of Senator Morse.

The other amendment stipulates that if a license is granted to the local government agencies of Washington "a reasonable portion of the power capacity and a reasonable portion of the power output shall be offered to neighboring States." I want to interpose by saying that might not seem an important suggestion, but when you are talking in terms of 1,300,000 kilowatts of power, you are talking about a lot of power which is needed in the whole area. If there is a dispute over what constitutes a reasonable portion of the power output the Federal Power Commission will determine the question.

This means that the power from Priest Rapids Dam will be distributed on a regional basis. It means further, however, that the control over the power output of the project no longer resides in the hands of the local government agencies who will become the licensees and who will construct the project—if all goes well. This raises an entirely new issue and, in my judgment, dictates that this committee and the Congress consider the effect passage of this legislation will have on existing Federal power policy.

In effect the Priest Rapids legislation is a prototype. It is a bellwether, so to speak. The committee already has before it H. R. 7815, the so-called Cougar Dam bill. I have no doubt there will be other pieces of legislation presented to the Congress affecting authorized projects in the Northwest.

In acting on each of these bills your committee and the Congress is setting policy. If you consider each bill as an isolated case you will be determining policy on a piecemeal basis. Now that may be the desirable procedure but if we are going to set policy on a piecemeal basis certainly this committee and the Congress and the people of the Northwest and the rest of the country should know what we're doing. We do not want to be led into some kind of a trap.

As far as Senator Jackson and I are concerned we believe S. 1793 should be amended so as to preserve the preference and priority portion of our Federal power policy irrespective of who constructs the dam. It is our belief that the pattern we set in enacting Priest Rapids legislation should conform in every possible respect to the power policy which has so well served the Nation, particularly in the past 20 years. Within a few days we will submit to the committee an amendment to accomplish that objective. I said a few days. We can get it ready almost immediately.

(The amended bill and statement thereon are as follows:)

H. R. 7664, CONTAINING AMENDMENTS PROPOSED TO SENATE PUBLIC WORKS COMMITTEE BY SENATORS MAGNUSON AND JACKSON

[Italicized text indicates Magnus-Jackson amendments. Text stricken denotes House amendments eliminated]

Union Calendar No. 585

83D CONGRESS
2d Session

H. R. 7664

(Report No. 1601)

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 2, 1954

Mr. HOLMES introduced the following bill; which was referred to the Committee on Public Works

MAY 12, 1954

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

A BILL

To provide for the development of the Priest Rapids site on the Columbia River, Washington, under a license issued pursuant to the Federal Power Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Flood Control Act of 1950 (64 Stat. 170, 179), insofar as it adopted and authorized to be prosecuted the Priest Rapids Dam on the Columbia River, Washington, substantially in accordance with the plans recommended in the report of the Chief of Engineers dated June 28, 1949, contained in House Document Numbered 531, Eighty-first Congress, second session, is hereby modified to permit the development of the Priest Rapids site by Public Utility District Number 2, of Grant County, Washington, or such district or its successor in combination with such other utilities as it may legally affiliate with or by any division, subdivision, agency, or commission of the State of Washington ~~of which it may be a member~~ *of which it may be a member* under and in accordance with the terms and conditions of a license duly issued pursuant to the Federal Power Act and in accordance with this Act.

SEC. 2. The Priest Rapids Reservoir site shall be developed to utilize the optimum capabilities of the site as a part of the comprehensive plan for economically feasible control and utilization of the water resources for flood control, navigation, power, and other beneficial purposes. Before a license is issued, an applicant for a license shall submit a report on the details of its plans for development to the Federal Power Commission with particular reference to the integration of the proposed Priest Rapids development as a part of the comprehensive plan.

SEC. 3. The Department of the Army shall review any plans submitted to the Federal Power Commission for the purpose of acquiring a license to develop the Priest Rapids site or any other site in connection therewith and shall make recommendations with respect to such plans to the Commission with particular regard to flood control and navigation.

SEC. 4. The license may provide for the addition of navigation locks and flood-control features by the Department of the Army at Federal expense, either as a part of the initial construction or at a later date. In the event that nonpower features are to be provided as part of the initial construction, an allocation of

costs to such features shall be approved by the Federal Power Commission taking into consideration recommendations by the Department of the Army and licensee, and funds to cover such costs may be appropriated and may be transferred by the Chief of Engineers to the licensee. If such navigation and flood-control facilities are not provided initially the licensee shall provide at its own expense the basic features for future installation of navigation and flood-control facilities.

SEC. 5. Upon request by the licensee the Corps of Engineers under direction of the Secretary of the Army shall be authorized to receive contributed funds and act as constructing agency for part or all of the project, including acquisition of lands, easements, rights-of-way, or other interest in land in accordance with Federal laws and procedures governing flood-control projects and subsequent conveyance thereof to the licensee.

SEC. 6. The operation and maintenance of a project under license pursuant to this Act shall be subject to reasonable rules and regulations by the Secretary of the Army in the interest of flood control and navigation. ~~To assure that there shall be no discrimination between States in the area served by the project, such license shall provide that the licensee shall offer a reasonable portion of the power capacity and a reasonable portion of the power output of the project for sale within the economic market area in neighboring States and shall cooperate with agencies in such States to insure compliance with this requirement: Provided, That in the event of disagreement between the licensee and the power marketing agencies (public or private) in any of the other States within the economic market area, the Federal Power Commission may determine and fix the applicable portion of power capacity and power output to be made available hereunder and the terms applicable thereto.~~

SEC. 7. (a) To assure that there shall be no discrimination between States in the area served by the project, such license shall provide that the licensee shall offer a reasonable portion of the power capacity and a reasonable portion of the power output of the project for sale within the economic market area in neighboring States upon the same terms and conditions as power is offered for sale by the licensee in the State of Washington except that all sales shall be made in accordance with the preference requirements of section 5 of the Flood Control Act of December 22, 1944 (58 Stat. 887). The licensee shall cooperate with agencies in such States to insure compliance with such terms, conditions, and requirements. In the event of disagreement between the licensee and the power marketing agencies (public or private) in any of such neighboring States, the Federal Power Commission may determine and fix the power capacity and power output which shall be offered for sale to such agencies in accordance with the provisions of this subsection.

(b) Power surplus to the requirements of the licensee and other non-Federal marketing agencies within the economic marketing area, as may be economically usable to the Federal system, may be made available to and may be purchased by the Bonneville Power Administrator at rates not higher than the rates charged such non-Federal marketing agencies, and under such terms and conditions as shall be mutually agreeable to the licensee and the Secretary of Interior. The Administrator may use funds in the continuing fund, established under the provisions of section 11 of the Bonneville Project Act of August 27, 1937 (50 Stat. 731), as amended, to purchase such power. Such power may be commingled with power from Federal dams in the Columbia River system for which the Bonneville Power Administrator has been designated marketing agent and shall be sold by the Administrator in accordance with the provisions of the Bonneville Project Act at established rate schedules.

~~SEC. 7.~~ *SEC. 8.* If an application for a preliminary permit for a license under the Federal Power Act to authorize the development of the Priest Rapids site is not prosecuted with reasonable diligence before the Federal Power Commission and in any event if the license application is not filed with the Federal Power Commission prior to the date which is two years after the date of the enactment of this Act, the provisions of this Act shall not be effective after such date and the authorization for the development of the Priest Rapids site contained in the Flood Control Act of 1950 shall have the same status it would have had if this Act had not been enacted. In the event an application for a license is made and denied by the Federal Power Commission, or if construction under a license is not carried out in a reasonable period of time as determined by the Federal Power Commission, the authorization in the Flood Control Act of 1950 will have the same status it would have had if this Act had not been enacted. Notwithstanding any other provision of law, the Federal Power Commission shall act, on any such application filed with it prior to such date, within one year after the date on which such application is filed.

AMENDMENTS TO S. 1793 OR H. R. 7664, BILLS TO MODIFY THE 1950 AUTHORIZATION OF PRIEST RAPIDS DAM, BY SENATORS WARREN G. MAGNUSON AND HENRY M. JACKSON

Senator MAGNUSON. Mr. Chairman, on May 20 we appeared before you to discuss S. 1793, as reintroduced by us on January 19, 1954. This legislation proposes to modify the Flood Control Act of 1950, to enable certain local government agencies in the State of Washington to apply for a license to develop the Priest Rapids stretch of the Columbia River in the State of Washington. On May 20 we informed the committee we would present amendments to bring the legislation in line with additional principles of comprehensive river basin development.

The committee will recall that our action in this regard was prompted by amendments the House added to companion legislation, H. R. 7664. Initially H. R. 7664, and similar bills in the House, were identical in language to S. 1793, as amended by us on January 19.

If your committee uses S. 1793 as the starting point, our amendment adds a new section 7, to be inserted between lines 4 and 6 on page 4 of the January 19 version. The succeeding section would be renumbered section 8.

If your committee uses H. R. 7664, as a starting point, we recommend two amendments:

First, restore the language on page 2, line 5, which was stricken by the House.

Second, on page 3, section 6, beginning in line 24, strike the House amendment in its entirety. In lieu thereof, insert a new section 7 and renumber the succeeding section to become section 8.

Now let us explain to the committee what these proposals accomplish. It will be less confusing perhaps if we start first with the new section 7, which we are proposing to both Senate and House versions.

The chairman and committee members will recall that the House added language to section 6 of H. R. 7664, which does the following things:

First, stipulates that a reasonable portion of the power capacity of Priest Rapids and a reasonable portion of the power output be offered for sale by the licensee within the economic market area in the neighboring States.

Second, provides that the Federal Power Commission may decide the issue, if there is a dispute between the licensee and power marketing agencies in neighboring States over what constitutes a reasonable portion of power capacity and power output.

The effect of the House language is to insure that benefits from Priest Rapids Dam are distributed on a regionwide basis—that neighboring States get a fair share of the benefits produced by the licensee in this stretch of the river.

Apparently the House committee and the House itself recognized that the Columbia River is a regional asset and that benefits from major sites on that river cannot properly be "hogged" by any one State. Apparently the House was willing to modify the 1950 authorization to give local government agencies an opportunity to try their hand at developing the site but, in so doing, wanted to alter as little as possible the concepts and principles embedded in the original authorization. We agree with this philosophy and the language we are proposing is in accord with the basic thinking contained in the House amendment.

As it stands, the House amendment does provide reasonable distribution of benefits within the region. It, however, omits one of the fundamental principles which would prevail were the Corps of Engineers to construct the project. We refer, of course, to the provision in the Flood Control Act of 1944, section 5, which states: "Preference in the sale of such power and energy shall be given to public bodies and cooperatives."

Likewise, the House amendment fails to provide for disposition of power which may be surplus to the requirements of the licensee and other non-Federal marketing agencies in the Northwest.

Section 7 (a) of our amendment adds a new clause to the language adopted by the House. It states that within the economic market area of neighboring States a reasonable portion of the power output shall be offered for sale—and here is the new wording: "Upon the same terms and conditions as power is offered for sale by the licensee in the State of Washington, except that all sales shall be made in accordance with the preference requirements of section 5 of the Flood Control Act of December 22, 1944 (58 Stat. 887)."

Section 7 (b) of our amendment stipulates that "Power surplus to the requirements of the licensee and other non-Federal marketing agencies within the economic marketing area, as may be economically usable to the Federal system,

shall be made available to, and may be purchased by the Bonneville Power Administrator."

Section 7 (b) further stipulates that the rates shall not be higher than the rates charged non-Federal marketing agencies. Since the local government agencies which may become the licensee are nonprofit public bodies, this provision means that any power purchased by Bonneville Power Administration will be obtained at cost and under such terms and conditions as "shall be mutually agreeable to the licensee and the Secretary of the Interior."

In addition, section 7 (b) authorizes the administrator to use moneys in the continuing fund to purchase such power.

Section 7 (b) further stipulates that power purchased by the Administrator will be commingled with power from the Federal dams in the Columbia River system and sold at established rate schedules.

We believe that a situation may well arise wherein the licensee will have some power available over and above that which may be purchased by municipalities, other public utility districts, REA co-ops and private companies. Section 7 (b) merely provides an additional outlet—namely, Bonneville Power Administration.

The language of this subsection protects the integrity of Bonneville rates—

First, by stipulating that the licensee shall sell to Bonneville at cost;

Second, by stipulating that Bonneville Power Administration may purchase only such power "as may be economically usable to the Federal system";

Third, by stipulating that the terms and conditions shall be mutually agreeable to the licensee and Secretary of Interior; and

Fourth, by providing that the power shall be commingled with power from Federal dams and costs averaged in to the rate schedule.

If the cost of power produced by the licensee should be at a level "not economically usable to the Federal system," the Administrator and Secretary of Interior do not have to purchase it. We think this protects existing customers at Bonneville Power Administration against the possibility of a rate increase which might result from pouring high-cost kilowatts into the Federal system.

Let us recapitulate:

The new section 7 we are offering retains most of the House language. It adds a preference clause. In addition, it authorizes the Secretary of Interior and the Bonneville Administrator to purchase that power which may be left over after the licensee has negotiated contracts with all those non-Federal marketing agencies in the Northwest, who desire a portion of the power output from Priest Rapids Dam.

We believe both of these elements are essential to this legislation.

Congress, in its wisdom, authorized Priest Rapids Dam as a part of the comprehensive plan for the development of the Columbia River Basin. Comes now a group of local government agencies who want to try their hand at building it.

It seems to us that this committee and the Congress should establish a pattern—should establish principles or criteria—that will govern this or any other legislation which seeks to modify projects which are a part of a comprehensive scheme of river development, already approved and authorized by the Congress.

With the amendments we have offered, we believe S. 1793 and H. R. 7664 do set a defensible pattern—do establish a defensible set of standards and criteria.

For the guidance of the committee, let us enumerate these standards and criteria.

1. The bill stipulates that construction of Priest Rapids Dam by the licensee, shall conform to the principle of full, comprehensive, multipurpose development, as contemplated in the 308 Report.

2. The legislation stipulates that operation of the project shall be under the direction and control of the Secretary of the Army to insure that it is operated and maintained in accordance with the concepts of multipurpose benefits—flood control, navigation, and power.

3. The legislation, as amended, provides that public bodies and cooperatives shall have preference in the sale of power in the same manner as would prevail were the Federal Government to undertake construction.

4. The legislation, as amended, guarantees regionwide distribution of benefits.

5. The legislation, as amended, guarantees that kilowatts created will be low-cost kilowatts because:

First, the licensee is a nonprofit agency and therefore must sell power at cost;

Second, power sold must be at a rate competitive with Bonneville—otherwise it will not be purchased by public bodies and private companies in the area, or by Bonneville Power Administration itself;

Third, the cost of money to the licensee—the interest rate—will reflect the licensee's status as a local government agency. Interest costs on a major project, with a 50-year pay-out period, are estimated at 35 percent of the total. An increase of 1 percent in the cost of money produces an increase of 14 percent in the power rates.

There is one element which is not covered in the bill, as amended. If the Federal Government were to construct the project, the people of the country would own it after the pay-out period. In this case the local government agencies will own the dam, both during and after the investment is retired. This is true because last year your committee amended the Federal Power Act, eliminating recapture of a site at the end of the 50-year period, when the licensee is a public agency.

At the beginning of these remarks we stated that if the committee uses the House bill as a starting point, we would recommend two amendments. For convenience—you will recall—we decided to discuss section 7 first. We now come to the proposal we are offering as an amendment to section (1) of the House bill, H. R. 7664.

On page 2, line 5, restore the language stricken by the House. The House deleted the words "of which it may be a member."

As originally introduced in both House and Senate, the Priest Rapids bills would permit to apply for a license at the Priest Rapids site, "Public Utility District No. 2, Grant County, Wash., or such district or its successor, in combination with such other utilities as it may legally affiliate with or * * * any division, subdivision, agency, or commission of the State of Washington, of which it may be a member."

The effect of the House amendment is to open the way for the Washington State Power Commission to become the licensee—under certain circumstances. Let us explain.

In 1953, the Washington State Legislature adopted legislation which—among other things—set up a State power commission. The legislative history of this act demonstrates that the commission was represented as being a sort of coordinating agency.

The law creating the commission stipulates that it may not construct a project, unless a public-utility district is unable to do so, or unless a group of public-utility districts are unable to do so, or unless public-utility districts in combination wth municipalities are unable to do so, or a private power company is unable to do so. In other words, the State law puts the power commission at the end of the line, so to speak, as a potential constructing agency.

Furthermore, the 1953 law has never been tested as to constitutionality.

We think it would avoid possible complications—possible controversy among local government agencies in the State—if the language in section 1 of this bill is retained in the form originally introduced.

Mr. Chairman, we are not adamant on this amendment and we mean to cast no aspersions on the State power commission. We merely want to avoid any possibility of argument developing among the public agencies in the State, as to who will apply for a license.

The bill itself requires that the license be applied for within a 2-year period after enactment. It would be most unfortunate if the whole objective of this legislation were defeated by failure to meet that deadline.

We are perfectly willing to leave to the committee's good judgment whether this particular amendment should be adopted.

Mr. Chairman, there is one other commentary we wish to make.

We have heard a lot around here in the last 2 years about partnership arrangements and partnership bills. Most of the so-called partnership bills we strongly oppose.

In reality S. 1793 and H. R. 7664 are not partnership proposals at all. Let us document that statement——

In the fall of 1951, Grant County public-utility district started discussing the possibility of constructing Priest Rapids Dam.

In May 1952, the district filed condemnation proceedings on the Priest Rapids site. The site is presently owned by Washington Water Power Co.

In July 1952 the district applied for its preliminary permit. At that time it became evident that legislation to modify Priest Rapids authorization would be necessary.

During the fall of 1952, the district discussed its plans with members of the congressional delegation, with Atomic Energy Commission, and with Bonneville Power Administrator and other parties at interest.

Early in 1953 representatives of the district came to Washington, D. C., and, in a series of conferences, the legislation we originally introduced was developed.

It is clear, therefore, that Grant County PUD started this ball rolling long before there was any discussion of so-called partnership plans.

There is another fact which sets this legislation apart from so-called partnership bills. The Federal Government is not required to spend a single dime to get this program underway.

Provision will be made so flood control and navigation features can be added, either initially or at a later date. We emphasize, however, that the licensee will construct the power features of the project with or without a Federal contribution.

In the event the Federal Government does decide to add flood-control features later, the licensee will have spent over $300 million—the Federal cost would be in the neighborhood of $50 million—a ratio of 5 to 1 or 6 to 1. This is a case where the local government agency—the licensee—will be contributing the horse and the Federal Government the rabbit.

Furthermore, Mr. Chairman, there is a good possibility that the Corps of Engineers will find, upon further investigation, that flood-control features are not justified at Priest Rapids. Should that come to pass, the Federal Government would make no contribution either initially or at a subsequent date.

Should the corps find that flood control at the site is too costly to be economically justified, Priest Rapids would become a single-purpose project except that provision will be made for navigation locks—at the licensee's expense.

In some of the other bills which your committee has under consideration the Federal Government is being committed to large sums of money. In most of them it takes the Federal expenditure—the Federal investment—to make the projects feasible. We repeat—that is not the case in the legislation we are sponsoring.

Mr. Chairman, we hope this committee adopts the amendments we have offered. With these amendments, we hope the committee will approve the legislation.

Senator MAGNUSON. Let me explain our thinking a little more fully.

Priest Rapids is an authorized dam. It is authorized for construction by the Corps of Engineers. It is a part of a comprehensive plan for development of the Pacific Northwest. In that respect it is similar to John Day, Cougar Dam, Ice Harbor, and others.

If the Corps of Engineers constructs Priest Rapids Dam, the power output will be sold in accordance with the provisions of section 5 of the Flood Control Act of 1944. That section states in part "Preference in the sale of such power and energy shall be given to public bodies and cooperatives."

Furthermore, it is highly probable that the sale of power from Priest Rapids Dam were it constructed by the Corps of Engineers would be administered by Bonneville Power Administration. The power would be sold pursuant to the provisions of the Bonneville Power Act. Section 4 of that act states:

SEC. 4. (a) In order to insure that the facilities for the generation of electric energy at the Bonneville project shall be operated for the benefit of the general public, and particularly of domestic and rural consumers, the Administrator shall at all times, in disposing of electric energy generated at said project, give preference and priority to public bodies and cooperatives (50 Stat. 733).

The statutes I have just quoted constitute the backbone of the so-called preference provisions of existing Federal power policy. They are a restatement of the policy the Congress has followed since the early days of Federal water resource development. We believe that this policy is in the public interest and that it should be preserved

along with the concept of comprehensive development in connection with construction of any dam that has been authorized by the Congress.

As we see it, this or any other legislation which modified an existing authorization should change that authorization in only two major respects. First, financing will come from sources other than Federal appropriations and second, the license granted by the Federal Power Commission will alter the ownership of the project. In the case of Priest Rapids, financing will be by revenue bonds rather than appropriations. The licensee rather than the Federal Government will own the facility. In other respects the project should be designed, constructed, and operated and the power should be sold in accordance with the same general principles which would have prevailed had the Federal Government constructed the project itself.

We believe that Priest Rapids represents a regional asset and that the benefits from the project should be distributed as widely as possible throughout the region. Neighboring States have a legitimate interest in the project just as the State of Washington has a legitimate interest in the great Hungry Horse project in Montana. We, therefore, will recommend to the committee an amendment which will state in principle the following. All power over and above the needs of the local government agencies who become the licensees and construct the project shall be offered first to other preference customers as provided in the Flood Control and Bonneville Acts or to the Bonneville Power Administration for resale to its customers pursuant to the provisions of the Bonneville Act.

Such an amendment would mean that the local government agencies which financed the project will have first call on the power output. Second, in line will be other preference customers in Washington or neighboring States who wish to contract for power. Next in line will be Bonneville Power Administration which services public, private, and industrial customers throughout the region.

We hope the committee will accept the amendment and that the committee at an early date will take favorable action on the bill as amended.

Senator BUSH. Have you anything to add to that?

Senator MAGNUSON. I want to say that the statement may be a little long but we feel so keenly about this particular policy in our area, we wanted the record to be just as clear as possible on it.

Senator BUSH. It is a clear statement and the committee is grateful to you for that.

Do you wish to add anything to that, Senator Jackson?

STATEMENT OF HON. HENRY M. JACKSON, A UNITED STATES SENATOR FROM THE STATE OF WASHINGTON

Senator JACKSON. Mr. Chairman, I would like to make, if I might, a very brief, informal supplemental statement.

This proposal has been submitted to the committee at the request of the local people as a possible alternative in lieu of Federal appropriations to build this particular project.

As Senator Magnuson has so ably pointed out, we have in the Northwest 40 percent of all the potential hydroelectric power of the Na-

tion. This one dam of 1,300,000-kilowatt capacity, the potential is roughly equivalent to one-fourth of the present hydroelectric output of TVA, which is something like 5,900,000 kilowatts. Grand Coulee is 40 percent of all the hydroelectric output of TVA.

Now as I say, we have submitted this as a means of financing this project on a local basis for the consideration of this committee.

Senator BUSH. Has anything of this nature in this size been undertaken by these local authorities heretofore, or is this a sort of a new deal?

Senator JACKSON. We have in the Northwest a series of dams owned by the City Light of Tacoma, Wash., and the City Light of Seattle, Wash., that in the aggregate would total the output of this dam. We do not have any one single hydroelectric project constructed by local interests that would be comparable to this dam.

Senator BUSH. Is there anything in the country comparable to this size, $390, million. Is that the figure?

Senator MAGNUSON. $360 million. Grand Coulee fits in that category.

Senator BUSH. Was that financed by the sale of revenue bonds?

Senator MAGNUSON. No.

Senator JACKSON. Not in any one single undertaking.

Senator BUSH. In a way, this is a new proposition, in the financing of it, anyway.

Senator MAGNUSON. Yes.

Senator JACKSON. When measured in the terms of the single project, yes. However, Skagit River, the output of the Seattle Light project is very close to it and it must be close to 1 million kilowatts. It may be more than 1 million.

Historically, Tacoma City Light started way back in 1905 to build a hydroelecetric project. Seattle City Light started in 1912 to build projects.

Mr. Chairman, what I want the committee to consider carefully is that as you know historically flood control and navigation are nonreimbursable items.

In this situation, we have an undertaking which involves a minute amount of flood control and navigation. The main part of this business enterprise, the money-making part of it involves the power features. I think the committee should give very thoughtful consideration to the problem of having the Federal Government pay for the nonreimbursable items and the local interests, regardless of who they might be, public or private utilities, obtain the profitable features and get the money out of it.

Senator BUSH. Your bill does not provide for that.

Senator JACKSON. This project is a little different. Actually, this dam can be built without Federal appropriations, because the local interests will be paying approximately $15 million to take care of the navigation and flood control props, if you want to call them that, which can later be supplemented with Federal funds so that the local people are paying about $15 million, I believe, of what would amount to nonreimbursable features.

I make this point, Mr. Chairman, because we have the problem of establishing a precedent in this case. It is my understanding that when and if all the dams on the Columbia River are built there will be

over $1 billion in nonreimbursable items in these dams and structures that would be built on the Columbia River.

So, if you start in one case, you cannot turn down another applicant in another case. You have to consider the question of whether the Federal Government should be called upon, and I say this in all objectivity, to enter into a business enterprise in which the Federal Government will participate in the nonprofitable features of that enterprise and the local people will participate in the profitable features.

Senator BUSH. Of course, the local people get all the advantages of the nonprofitable features and the rest of the country doesn't get any advantage of the flood control and navigation. That all goes to you and the Federal Government is in a sense making contributions if it authorizes this project, the tax-free sale of all bonds which will be taken all over this country by investors.

Senator JACKSON. It will help the East substantially because the revenue bonds will be sold in New York, probably.

Senator BUSH. The Federal Government is making a tremendous contribution along the line on the whole thing.

Senator JACKSON. I agree with that. I am trying to present the significance of this situation. Once you do it in one project you will have requests from municipalities, local interests, private utilities for the Government to participate in the nonreimbursable features which this Congress, from the beginning of the country, has recognized as a Federal problem, that is navigation and flood control projects are undertaken by the Federal Government without reimbursement.

It is true that the local interest, by amendments to the Flood Control Act, must make rights of way and other things available. The fundamental principle remains that those items are nonreimbursable.

Let met explain this; we have a lot of multiple-purpose dams today all over the United States in various sections of the country. We will say a dam involves navigation, flood control and power. The power features of the dam are repaid to the Federal Government in its entirety including a reasonable rate of interest. It is all paid back in revenue and flood control is not paid back. However, title remains in the Federal Government and at the end of a payout period 40 or 50 years, the revenue keeps coming back to the Federal Government and ultimately if these dams hold up, and I must say that the Corps of Engineers build good dams, to hold up and are endurable beyond the period of amortization, and I will make that assumption to that at the end of 40 years the Federal Government will get back the revenue which it will pay for the flood control and navigation parts of the project.

We have a whole series of dams throughout the United States and there are other projects down South, in the Middle East, all over involved in this precedent that might be established.

The committee must realize that if you are going to say that the Federal Government will authorize the appropriations and will take care of the nonreimbursable features in a business enterprise that has profitable features, you have to give full consideration to how much is involved once you undertake it.

I am making this statement, Mr. Chairman, so that there can be no misunderstanding of the full import.

For example, in the Columbia River I am informed informally that present authorized projects which have not been undertaken would probably run close to $1 billion in nonreimbursable items.

Senator BUSH. That is just on the Columbia River?

Senator JACKSON. Yes.

Senator BUSH. But if the Senator's philosophy were carried on through, it would seem that it would apply also to any project which might be licensed on a navigable river, whether it be privately operated or by a public agency, and the same thing would obtain because if the Federal Government is going to start reimbursing for these contingent advantages which are nonreimbursable you get into an unending position. Am I not correct in assuming that your plan would be equally applicable to the privately owned and operated dams as it would be to——

Senator JACKSON. Either to the flood control and navigation features involved?

Senator BUSH. Yes.

Senator JACKSON. That is why I am being absolutely forthright with the committee, and I want to state this problem in its entirety.

Senator CORDON. I believe the Senator is wrong on his figures. It is just fantastic to me to hear a statement made that the nonreimbursable features of a proposed authorized dam on the Columbia or dams will aggregate $1 billion.

Senator JACKSON. If these projects are completed.

Senator CORDON. It just cannot be. There are no more navigation benefits substantially left when you get the ones under construction now, so that is out. There is nothing left but flood control.

Senator JACKSON. I do not want to get into a discussion on that without getting the specific details.

Senator CORDON. I would like to see it checked.

Senator JACKSON. Yes; I think the Corps of Engineers can answer that question.

General ITSCHNER. I cannot give you an answer as to the aggregate cost of nonreimbursable features of authorized projects in the Columbia Basin that have not been started, but I can get it for the record.

(The information referred to is as follows:)

The total estimated cost of nonreimbursable features at multiple-purpose projects authorized for construction by the Corps of Engineers which have not yet been placed under construction is about $470 million.

Senator BUSH. You had better get it because it is pretty important and useful. Senator Jackson is bringing out a principle which is very important, and even if his figures are too great, it only emphasizes that it is a big thing.

Senator JACKSON. This is the thing that I want to mention. The Federal Government builds a multiple-purpose dam, the Federal Government is assured at the outset that it will be fully compensated for the power features, with interest. The Federal Government has the contingent problem of getting its money out on the nonreimbursable features after the amortization period has run out.

The revenue from the power features continue to flow to the Federal Treasury after the payout period. It is conceivable, assuming that the structure would stand, and I am not an engineer and I cannot say—the Corps of Engineers would give the life expectancy of these proj-

ects—I would assume, and if I am incorrect I would like to have the Corps of Engineers correct me—I would assume that the Corps of Engineers considers the life expectancy of these hydroelectric projects to be beyond that of the present amortization schedule. Is that correct?

General ITSCHNER. The present amortization schedule is predicated upon a life of 50 years.

Senator JACKSON. What is the estimated life expectancy?

General ITSCHNER. It is tied up so much with uncertainties of the future such as atomic power that we do not make any estimate.

Senator JACKSON. I mean a physical structure.

General ITSCHNER. The physical structure will last for centuries. Certainly the concrete will last that long with maintenance and with a replacement of the metal parts.

Senator JACKSON. So that, allowing for depreciation, when you have a Federal multiple-purpose project, I say with some assurance that the navigation and flood-control features will be amortized as well. I think the committee should have some estimate, not only for the Northwest, but for the entire country as to what will be involved in a proposition which would entail Federal contributions to these projects in the way of nonreimbursable items. I think local people are to be commended in their efforts to work out a local solution.

This problem, Mr. Chairman, would be simple in this case if this were a straight power project. The local people are doing something that was never done before and that is that they are paying over and above power items about $15 million in nonreimbursable funds to lay the foundation for navigation and flood control. The construction of the navigation and flood features would be about $30 million if it initiated immediately, or $50 million if it is postponed. This project can go forward without Federal assistance, so that I do not believe it falls generally within the problem that I have raised with the committee. That does not require necessarily—the Federal Government might save money—but it does not necessarily require simultaneous participation with the local people. The Federal participation would be discretionary and could come at a later time.

On the other hand, these other dams have to be installed as you go along, the navigation and flood-control features.

Senator MAGNUSON. At that point again, so that the record is clear, and I think the chairman appreciates that this bill does establish some new policy—I want the record to show that I have always favored the direct Federal appropriation for the construction of these projects in our area, and I still do, and I think it has been a mistake to change it, but nevertheless, we do have a crying need for our continuing power development, and I could not find myself in a position, although I thoroughly disagree with the policy, but not having any new starts, of not allowing our local people to give them the opportunity to do something if they could under proper regulation. I think it is a serious mistake, this change of power policy, and I want the record to show that, but nevertheless I want to give them the opportunity if they can to go ahead on this somewhat new arrangement. I hope it succeeds, but I have some grave doubts, and I want the record to show that.

Senator BUSH. Do you have any questions, Senator Stennis?

Senator STENNIS. What prospects do you have for selling these bonds?

Senator MAGNUSON. I don't know. We pass the bills and they do all the preliminary and all the groundwork, and then you have to put on your hat and go down to the lower end of Manhattan Island. I don't know what happens down there. You pay tribute to somebody. That is what I do not like. I have said so publicly and privately. I think that all of us know that revenue bonds are premium bonds.

Senator BUSH. A lot depends on the coupons. They are high-class coupons if they are public utility bonds and self-liquidating.

Senator JACKSON. These are not general obligation bonds, so the revenue would be higher.

Senator MAGNUSON. Our municipalities have never had any trouble selling them, like the City Light in Seatttle. They are snapped up pretty fast.

Senator UPTON. Is there a need for this power?

Senator MAGNUSON. We have been 2 years without a single new start.

Senator JACKSON. We are consuming today roughly 75 million kilowatts of power and maybe it is up to 80 million kilowatts.

The National Security Council estimated that in order to meet two things, first, the growth of this country—and as we all know that is a fantastic story in itself—we have coming into being an equivalent of a city of 50,000 people every week in the United States, 50,000 people every week. Our population is increasing at the rate of 2½ million people a year so that every decade we have 22½ million people over and above our present requirement.

In addition, the national defense requirements are such, coupled with the requirements for our atomic-energy program and the tremendous expansion that is necessary to meet different commitments of the Defense Department, it is my understanding that by 1960 we will be consuming, just to meet existing requirements, about double the 75 million, or 150 million kilowatts of power.

Senator UPTON. You are speaking now of annual consumption?

Senator JACKSON. Yes, a doubling of the power requirements of this country by 1960. The Corps of Engineers would know more about this than I would, but that is my rough guess.

In the Northwest, just to keep our heads above water, we need an annual increase in generated capacity of about 600,000 kilowatts of power per year that must go on the line. That has been estimated to be the rough approximation of the present requirements.

Senator BUSH. If the committee will indulge us, I think we had better move ahead because we have another bill to consider here. Do you want to testify on that, too?

Senator JACKSON. No, sir. That is Senator Cordon's bill.

Senator BUSH. General Itschner, do you want to comment on this bill? Are there any questions that anyone from the committee would like to ask of General Itschner?

General ITSCHNER. Senator Magnuson and Senator Jackson have covered the situation pretty thoroughly.

Senator MAGNUSON. The people involved and ourselves have discussed this matter with the Corps of Engineers on several occasions and I want to say that they have been very helpful.

General ITSCHNER. We have no objection to this bill as amended. We have had many discussions with the local people on it and have ironed out any difficulty in the bill which was presented last year.

Senator BUSH. Do you confirm the general assertion that this power is needed out there?

General ITSCHNER. I think there is no question that the power is needed out there.

Senator STENNIS. Is it greatly needed?

General ITSCHNER. There is a vital need for it. They must have it somehow or other.

Senator UPTON. What would be the annual output on this?

General ITSCHNER. This particular project would have an installed capacity of 1,219,000 kilowatts initially and ultimately it would have an installed capacity of 1,590,000 kilowatts.

Senator UPTON. Just speaking of the capacity and not the annual output? I could arrive at the results mathematically, but I thought you could assist me.

General ITSCHNER. You want the annual output?

Senator UPTON. Yes. You have given the capacity and the annual output is what I want.

General ITSCHNER. The average annual primary energy with the initial installation of power at this project will be 5,291 million kilowatt-hours.

Senator STENNIS. General, you were on duty there several years just prior to coming here for the last several months?

General ITSCHNER. Yes, I was on duty in Portland as division engineer 1½ years prior to coming here and an additional 1½ years in Seattle as district engineer prior to that.

Senator STENNIS. You have intimate knowledge of this. Will you be the builders of this?

General ITSCHNER. That decision will be made by the public utility district. We could build it for them or not, as they elect.

Senator BUSH. Would it be unusual for you to act as the builders on a project like this for a local agency?

General ITSCHNER. It would be except that, as contemplated, there would be a considerable Government contribution in the form of funds to cover the cost of the flood-control feature.

Senator BUSH. That is a moot question.

General ITSCHNER. And therefore it will be partially financed by the Federal Government if the flood-control feature is financed by the Federal Government.

Senator JACKSOH. I think it is safe to say that the bill does not require any Federal appropriation in order for the project to go forward.

General ITSCHNER. That is correct.

Senator BUSH. That is why I am a little surprised that the engineers would be brought into it because it is not a Federal project.

Senator JACKSON. The only thing, Mr. Chairman, is that in building it, if the Federal Government, for example is not going to put any money in initially on the flood-control and the navigation features, they would want to have the structure built in such a way that it could accommodate navigation and flood-control features.

The Federal Government, the Corps of Engineers therefore has a vital stake in it to make sure that it is built in a manner that would make available such features if and when, at some later date, such should be done.

On the other hand, it could be and maybe money would be saved if it were done simultaneously.

General ITSCHNER. That is correct. Money would be saved if the entire project, including flood-control and navigation features were constructed at one time.

Senator MORSE. Let us dwell on that point a moment, general. I understand that on this particular segment of the river where your project is to be built, it would be desirable to have flood-control and navigation features a part of the program if the Federal Government were doing the job.

General ITSCHNER. As far as the flood-control features are concerned, the storage of 2,100,000 acre-feet for flood-control purposes in this reservoir is extremely important to the protection of the Columbia River below The Dalles.

It is especially important because it is at the lower end of the river and therefore is of more value than an equivalent amount of storage far upstream where it is difficult to operate reservoirs so as to store water in a manner which will be most effective in reducing the flood crest downstream.

As far as the navigation is concerned, no authorized navigation project exists in this portion of the river at this time, and even if the dam were built and financed entirely by the Federal Government at this time, it would be constructed only with a closure section which would be adaptable later at minimum cost to a navigation lock.

Senator MORSE. What difference, if any, would there be in the flood-control features if this project were built as proposed by this bill as compared with the building of a project by the Federal Government?

General ITSCHNER. We would like to insist, and the bill does provide, that the same amount of flood-control storage would be provided in the dam or dams built by the public utility district as would be provided in the authorized Federal project for the single dam at Priest Rapids.

Senator MORSE. Maybe I misunderstood Senator Jackson and misunderstood you. I thought I understood that if you were proceeding with this bill at once, with the project under this bill at once, you would proceed with the power features and not have the flood-control features incorporated at the same time.

General ITSCHNER. I meant to say this, that if the project is built by the public utility district at this time, and if Congress does not see fit to appropriate funds with which to pay for the flood-control features, it would be necessary for the public utility district to construct a foundation satisfactory to take care of those flood-control features at such time as the Federal Government would provide the additional funds to raise the dam up the additional number of feet necessary to take care of the flood-control storage.

Senator MORSE. So that they could proceed with this dam if they built a dam high enough to take care of the generation of the power, that would meet the immediate needs, and then, at a later date, if the Federal Government became interested it could appropriate the money to add to the dam so as to create a greater flood control.

General ITSCHNER. That is correct, sir. And if that were done the public utility district would be put to additional expense in order to construct a heavier foundation and a thicker dam in anticipation of a future addition to the dam in order to provide for flood-control storage.

Senator MORSE. Is it the view of the Corps of Engineers that it would be desirable to have the flood-control feature developed in its entirety at the time the dam is built because of the need of it below The Dalles?

General ITSCHNER. Yes, sir; it would be desirable to obtain this flood-control storage as soon as possible.

Senator UPTON. Shouldn't the dam initially be constructed to provide for both flood control and the power development?

General ITSCHNER. It would be very desirable to do the two simultaneously and it would result in an overall saving.

On the other hand, if that could not be done because Congress did not desire to appropriate the funds for the flood-control feature, which is authorized, the public utility district could build the dam so that this feature could be added later.

Senator BUSH. There is nothing in the bill to prevent them from going ahead and putting in the foundation to make whatever preparations are necessary for flood-control features.

General ITSCHNER. They would be obliged to do that.

Senator UPTON. They would have to construct the dam with a broader base.

General ITSCHNER. Yes, sir.

Senator BUSH. There is nothing to prevent the local interest who will sponsor this project from going ahead and doing the whole job if they have the hope or not of getting the funds from the Federal Government at a later time.

Senator JACKSON. Only this, and this is the catch, they have to sell bonds and if they go overboard and pay for the entire cost, the bankers are not going to give them as good a rate proposition as they would otherwise. The local people, as it now stands in this bill, I am informed, would be contributing about $15 million in what otherwise would not be included in a straight power project, that is broader foundations and other structures.

Senator BUSH. $15 million out of $375 million?

Senator JACKSON. If the Federal Government pays for and builds the flood-control feature immediatley, it will be $15 million out of $30 million, approximately.

General ITSCHNER. The total cost of the project is $364 million as we estimate it now. These figures are all rough because we do not have a design for the project. Out of that $364 million, approximately $60 million may be attributed entirely to flood control.

In other words, the cost of the dam would be something in the order of $300 million without the flood-control feature.

Senator Jackson mentioned that the public utility districts will be placed to an additional expense of somewhere between $9 million and $15 million for incorporating in the dam the necessary thickening of the base and so on.

Senator BUSH. Without doing the whole job?

General ITSCHNER. That is right, without doing the whole job.

And if the Federal Government went into this initially with the public-utility district and paid for the flood-control features, the public-utility district would save the cost of this additional amount between $9 million and $15 million.

Senator MORSE. I am not prepared to testify as a witness this morning, but I shall at some time step down from my position on this committee and testify as a witness.

Senator BUSH. On this Priest Rapid Dam?

Senator MORSE. Yes, sir; and on the whole general problem of the proposals that, in my judgment, greatly modify the whole comprehensive program of river development in the Pacific Northwest, and it would not be fair of me to sit here and not briefly call attention to a problem or two that concerns me.

I have joined with all my colleagues in the West some years now in fighting for the development of the comprehensive report plan because I think the comprehensive report plan takes into account the best interests of the Nation as a whole.

There is not a community in America that doesn't have a great stake in the develoment of the flood control and the irrigation and the navigation and the power resources of the rivers of the West. We do not own them out there. No community in our section of the country owns a single segment of a river in the Pacific Northwest. They belong to the people of this country and the developers of the great power policy of our Nation, Charles McNary, of my State, George Norris, Franklin Roosevelt, to name only a few of the people who have had the very broad concept of the national interest in the development of the streams of America wherever they are located, initiated a program that I think we ought to be very careful about when it comes to modifying it because of any temporary financial problems that seem to confront our country.

I have not passed final judgment on Priest Rapids and I have not passed final judgment on the matter until I complete my study.

May I say most respectfully, Mr. Chairman, that I do not think the Public Works Committee ought to vote to the floor of the Senate any bill that proposes modification of our national power policy without hearings out in the field. I think we had better get out to the grassroots and find out what various organizations think about these problems.

Now, on this matter of flood control, I do not think you can separate it from power. Although we talk about power, it is important to us in the Pacific Northwest and we need that power, but let me tell you it is important to the farmer, who is being washed out along the banks of our streams, that we do something about the flood control and, as to those fellows, I do not think you can say power is more important.

In my judgment, I think the Priest Rapids site is one of the great flood-control sites of that part of the country.

I do not find myself ringing with enthusiasm over a proposal that seeks to postpone flood control, because I have seen a lot of people, and you have too, starting building a house on the addition plan. They start out living in the garage, and 10 years later you still find them living in the garage.

I think that we had better take a very long look at the so-called segment or installment construction program.

I want to be convinced in any of these projects that we are not, in effect, setting back the comprehensive program for the development of the maximum potential of these rivers in the light of their multiple purposes.

Let me make clear though, I recognize that this is a regional problem, that these rivers do not respect State lines. I have never been for, and am not today for the development of a CVA in our section of the country because I think we have peculiar and particular problems out there where we do not need that kind of an administrative setup.

But as far as the uses of the river are concerned, they are regional. They do raise regional problems and I always agreed with the point of view that McNary and Norris took, let us get the projects built and then we can work out any differences that may exist between us as to how we will administer them once they are built, but I am very much concerned about this segmentized program in the construction of the electric power and flood control needs of the Pacific Northwest.

I only raise the signal flag this morning and let us go slowly until we have got our facts, and this is not something that can be considered at one meeting of a subcommittee of the Public Works Committee and then move it on to the full committee and then the floor of the Senate.

Senator MAGNUSON. I think the Senator will agree with me that Senator Jackson and I were very frank in presenting this problem.

Senator MORSE. You were very frank and objective as you always have been, and I fully appreciate your interest and concern. I have the same interest and concern. We are in a position where we naturally do not want to do anything that will be to the economic detriment of our States and regions and of our country and, at the same time, we have a solemn responsibility to see to it that just because we have got a national financial problem, we do not follow a course of action that will wreck a power policy that, if we will stick by it will, in the long run in my judgment, best serve the needs of the American people all over this country.

Senator MAGNUSON. You and I are in thorough agreement on that. This was at the request of the local people. I still want to do it the other way.

Senator BUSH. I want to thank both Senators from Washington for their appearance here and their very fine presentation of their case.

Senator Upton?

Senator UPTON. I would like to have from the Army engineers a report on this project, with special reference to the relation of the flood control to power development, a report as comprehensive as you can give us at this time.

Senator BUSH. Did the House have any such report from you on this? I understand they passed this bill or a similar bill yesterday.

General ITSCHNER. Yes, sir, they did. I made a general statement to the House Public Works Committee. I was prepared to give to you that report, but I did not do so because of the very thorough manner in which the Senators from Washington have covered it.

(The matter referred to is as follows:)

INFORMATION REPORT

Priest Rapids Dam and Reservoir, Columbia River, Wash.—Pertinent data (H. Doc. 531 plan)

Location of dam site:		
On the Columbia River in Washington:		
Upstream from McNary Dam	miles	105
Upstream from mouth of Snake River	do	73
Upstream from mouth of Yakima River	do	62
Downstream from Rock Island Dam	do	56
Downstream from Chief Joseph Dam	do	148
Streamflow at site (drainage area 95,500 square miles):		
Discharge, mean annual (1928–42)	cubic feet per second	110,000
Runoff, mean annual (1928–42)	acre feet	79,900,000
1894 flood peak discharge	cubic feet per second	800,000
1948 flood peak discharge	do	693,000
Spillway design flood	do	1,400,000
Hydraulics:		
Maximum flood control pool	feet	590
Minimum flood control pool	do	540
Maximim power pool	do	550
Minimum power pool	do	540
Head at mean power pool	do	145
Dam:		
Concrete gravity type:		
Spillway section, length	do	1,440
Powerhouse intake, length	do	2,250
Provision for fish ladder and future lock, length	do	400
Earthfill embankment:		
Right abutment, length	do	1,800
Left abutment, length	do	7,610
Powerhouse:		
Main generators:		
Initial	units	23
Ultimate	do	30
Capacity, each	kilowatts	53,000
Installed capacity:		
Initial	do	1,219,000
Ultimate	do	1,590,000
Power characteristics in critical period:		
Nominal prime capability at-site (Federal) in C–2 system	kilowatts	790,000
Prime added to existing system	do	604,000
Reservoir:		
Gross storage capacity	acre feet	3,300,000
Storage for flood control	do	2,100,000
Length	miles	56
Area	acres	52,807
Project cost (July 1953 prices)		$364,000,000
Project benefits:		
Flood control		$3,285,000
Power		$22,774,000
Recreation		$60,000
Total		$26,119,000
Benefit-to-cost ratio		1.43

PRIEST RAPIDS DAM AND RESERVOIR, COLUMBIA RIVER, WASH.

1. *Authorization.*—Priest Rapids Dam and Reservoir, a major multipurpose project on the Columbia River, Wash., was authorized in 1950 as a principal unit of the comprehensive plan for the Columbia River Basin to provide storage for flood control; for production of hydroelectric power; for navigation, and other related water uses. The authorization is contained in the Flood Control Act of May 17, 1950, House Document 531, 81st Congress, 2d session. The estimated cost on a 1948 price base wase $344,891,000. This estimate was prepared without the benefit of plans, and therefore it must be considered very approximate.

2. The comprehensive control plan for the Columbia River Basin was developed in the 1948 Columbia River Review Report to assure the orderly and effective

development of water resources of the United States portion of the Columbia River and its tributaries. This plan is based on the utilization of all phases of water resources balanced to give the maximum benefits to the region. Benefits are derived from flood control, navigation, hydroelectric power, irrigation, and related water uses. The Priest Rapids project is as important and integral unit in this plan.

3. *Status.*—Since the submission of the Columbia River Review report very little additional planning has been accomplished on the Priest Rapids project. Detailed planning studies will be required to determine the most economical and effective structure and project characteristics within the framework of the comprehensive control plan. No detailed planning or design has been accomplished nor have planning funds for such purposes been appropriated.

4. *Location and description.*—Priest Rapids Dam site is on the Columbia River in Washington, about 397 river miles upstream from its mouth and about 73 miles upstream from the mouth of the Snake River. It lies near the northeast corner of the Hanford plant of the Atomic Energy Commission. The reservoir would extend upstream about 56 miles to the tail water of the Rock Island Dam of the Puget Sound Uower & Light Co. In addition, a narrow arm of the reservoir would extend up Crab Creek, a tributary, for about 22 miles (see pl. 1).

5. As outlined in House Document 531, the dam would lie across the Columbia in a straight line, 13,500 feet long, with the spillway occupying the existing channel, a powerhouse adjoining on the left and an earthfill embankment continuing from there to the left abutment. To the right of the spillway and separated therefrom by a short gravity nonoverflow section, would be provision for future locks. Beyond, and extending to the right abutment, would be an earthfill embankment section. The project, as proposed in the Columbia Review report, is designed for normal power use up to elevation 550 feet, and a maximum surcharge of 40 feet to be used for flood-control purposes (see pl. 2).

6. The powerhouse, located at the toe of the concrete intake section, would be about 2,250 feet long, and ultimately would accommodate 30 generating units which may be required when future upstream storage development has progressed sufficiently. Initial installation of 23 units of 75,000-horsepower turbines and 53,000-kilowatt generators is planned.

7. Provision would be made for the passage of migratory fish probably by a fish ladder at the right end of the spillway section and another with a collection gallery extending the full length of the powerhouse, constructed across and above the draft tubes. In addition to the fish ladders, the cost estimate includes items for possible means of salvaging such fish as may not pass the dam successfully and for artificial propagation and transplanting facilities that may be found on further study to be necessary and justified. Since this dam is considerably higher than the other main stem Columbia River projects over which fish are successfully passed, this matter will require a great deal of study during the design phase.

8. *Project operation.*—In consideration of flood control the project was planned to permit a maximum pool level at elevation 590 feet which would provide 2,100,000 acre-feet of storage capacity above a minimum flood control pool, elevation 540 feet for use in reducing the flood discharges on the lower main stem of the Columbia River. This surcharge pool level was determined as the maximum obtainable without serious backwater effect. Under existing conditions, the Rock Island generating station becomes inoperable at a discharge of about 530,000 cubic feet per second, at which time the tail-water elevation at the project is increased from a normal level of 550 feet to about 586 feet and the head is only about 20 feet. The powerhouse at Rock Island is designed for a maximum elevation of about 606 feet without flooding. A pool level, at elevation 590 feet, will not flood any of the main operating facilities at the plant. It is not proposed to operate Priest Rapids normally at pool elevation 590 feet for the reasons that the high pool would prevent operation of the Rock Island generating station because of insufficient head and would materially increase the problem of the passage of anadromous fish through the Priest Rapids Dam. The flood control storage would be used when the flow at The Dalles exceeds 700,000 cubic feet per second after upstream reservoir capacity has been utilized to the fullest extent. Under present conditions prior to completion of any additional upstream storage it is estimated that this will have about 1 chance in 5 of occurring in any year. When all upstream storage is provided that is visualized in the main control plan, the chances that the Priest Rapids flood control storage will be fully utilized in any year will be about 1 in 20. After use for flood control the pool would be reduced to the normal power pool elevation 550 as soon as the storage could be released without endangering downstream levees.

The project would be operated at all other times as a run-of-the-river generating plant, utilizing the pondage between elevations 550 and 540 for peaking purposes.

9. *Flood control.*—Flood control storage is necessary in the Priest Rapids project to achieve the objective of the main control plan for reducing future floods to a size which can be contained by levees. The levees along the lower Columbia River will provide dependable protection against floods having discharges up to 800,000 cubic feet per second and storage for flows in excess of this flow is necessary. The estimate of 24,700,000 acre-feet of flood control storage required for this purpose was based on studies of the largest flood of record, that of 1894. The inclusion of Priest Rapids project in the main control plan is of great importance from an operational standpoint. In a system of reservoirs, this additional storage must be located within a short distance above the protected area so that it can be used to rectify inadequacies in the operation of upstream projects which, of necessity, must be based on forecasts up to over a week in advance. At least 2,100,000 acre-feet of flood storage would be required in Priest Rapids Reservoir to insure effectiveness of the main control plan.

10. In the 1948 Columbia River Review Report the additional cost for including flood control features in Priest Rapids project was estimated to be about $65 million. Flood control benefits are ample to justify this cost. Whenever the pool is operated above elevation 550 for flood control there will be additional power benefits which, though not readily evaluable, are real and substantial. These benefits arise from the increased plant capability resulting from the greater head at a time when the system capability is seriously reduced at most plants in the system because of head loss due to high tail-water. Detailed planning studies may result in the development of operational procedures which will provide for the more effective use of storage above elevation 550 on a seasonal basis for flood control and power production.

11. *Hydroelectric power.*—The Federal hydroelectric power program, now under construction in the Pacific Northwest, is not sufficient to keep up with current estimated load growth. Power requirements increased four times between 1940 and 1950, and between 1950 and 1960 they are expected to increase three times. Because of this growth in demand for electrical energy in the Pacific Northwest it is essential that planning for major power installations after 1960 be started in the near future if generating facilities are to keep pace with demand. Priest Rapids project is centrally located with respect to defense industries, industrial plants, and municipal and farm-electric load centers. It is the most economical authorized major hydroelectric plant in the Columbia Basin for which detailed planning has not yet started. The plan for Priest Rapids, as presented in the Columbia review report, was prepared in 1948. In this plan, under coordinated operation of the comprehensive system of reservoirs (the phase C–2 system) 790,000 kilowatts of nominal prime power would be developed at the proposed project and the corresponding nominal firm capability at 75 percent system load factor would be 1,050,000 kilowatts.

12. The proposed installation for the authorized project is 23 units with 75,000-horsepower turbines and 53,000-kilowatt generators. The output of this project would normally require 21 such units at system load factor. The two extra units would be provided to give additional capability to the system under all conditions. The above installation was found to be particularly valuable in that it would maintain firm power in the entire system for high tail-water conditions during a major flood, as the Priest Rapids Reservoir levels would be high at that time and the capabilities of this and other storage installations would offset the temporary deficiencies caused by high tail-water and low reservoir levels elsewhere. Sufficient space is provided for an ultimate installation of 30 units of the same size based on an estimated ultimate regulated flow of 96,000 cubic feet per second. This criterion is selected to assure ample flexibility for future expansion.

13. Studies made since preparation of the review report in 1948 have recently indicated the probability that in order to obtain optimum development of the potentialities of the river as a whole the pool level for power operation should be raised to encroach somewhat on the tail water of Rock Island. This would produce additional head and some usable power storage. The maximum drawdown of the pool would be greater than planned in the review report. By this means a portion of the storage above elevation 550 would be used for both power and flood control with a substantial increase in power benefits. Moreover, there are possibilities that the same flood-control storage can be provided in a dam of maximum pool level less than 590. The exact upper and lower elevations of the pool, like other project characteristics, cannot be determined until detailed engineering studies are made.

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14. *Navigation.*—Priest Rapids is about 60 miles above the head of the slack-water navigation pool created by McNary Dam. Navigation for river-towed barges would be possible above McNary pool by improvement of the channel in the reach below Priest Rapids; the construction of locks through the Priest Rapids Dam and also through Rock Island Dam. This series of navigation improvements, which would extend navigation by slack-water and channel improvement a distance of 125 miles up the Columbia River to the city of Wenatchee, was proposed in the 308 report as a project for later development. Lock dimensions have been assumed at 86 feet by 500 feet in order that cost estimates may be ample, although it is possible that smaller locks may be found adequate to carry the volume and type of traffic in prospect when they are actually installed. One lock with a single lift at Rock Island and a similar structure in two lifts at Priest Rapids would be necessary. Channel improvement would be required below Priest Rapids at Coyote Rapids in a reach extending from Wahluke to a point 3 miles upstream from Hanford, and in another reach from above Ringold to Richland. The additional cost of including locks in the Priest Rapids project for future navigation is estimated at $6 million under project document plans. It would cost from $30 million to $35 million, at 1953 prices, to complete all improvements for navigation as far as Wenatchee after such initial work at Priest Rapids.

15. Estimated navigation benefits attributable to improvement of the Columbia River to Wenatchee would not support such an expenditure at this time; therefore, completion of locks at Priest Rapids Dam, which would be ineffective without the other improvements, is not contemplated at the time of construction of the project. On the other hand the normal growth of the Wenatchee area, and the expanding acreage being opened to irrigated farming through the great Columbia Basin irrigation project can be expected to augment the eventual demand for navigation in this reach of the Columbia River. Further planning is necessary to determine what navigation provisions, if any, must be included in the initial construction. If it can be shown that all navigation features can be economically added at a later date, no provisions for locks need be made during initial construction. On the other hand if the later installation of locks would entail major construction difficulties and prohibitive costs, the provisions for locks should be made during initial construction to avoid the irreparable blocking of the river at this point.

16. *Project costs, charges, and benefits.*—Project costs are based on studies made for the review report with the price level adjusted to July 1, 1953. A summary of costs, charges and benefits is given in the following table:

Priest Rapids Dam, Wash.—Summary of costs, charges, and benefits

Item	Multiple-purpose project
1. Federal first cost	$364,000,000
Power	134,000,000
Flood control	65,000,000
Navigation	6,000,000
Joint	159,000,000
2. Interest during construction	46,000,000
3. Federal investment	410,000,000
4. Annual charges:	
(*a*) Interest on investment at 2.5 percent	10,250,000
(*b*) Amortization of investment at 1.026 percent	4,182,000
(*c*) Operation and maintenance	3,300,000
(*d*) Major replacements	600,000
(*e*) Total annual charges	18,332,000
5. Annual benefits:	
(*a*) Flood control	[1] 3,285,000
(*b*) Navigation	0
(*c*) Power	22,774,000
(*d*) Recreation	60,000
(*e*) Total benefits	26,119,000
6. Benefit cost ratio	1.43

[1] Flood control benefits assumed equal to cost of obtaining flood control.

17. *Partnership construction problems.*—Construction of the project by a non-Federal agency should provide either flood control features or, as a minimum, suitable provisions whereby these features can be added without excessive cost to the Federal Government. The Priest Rapids project has inherent problems which make construction by stages difficult and expensive. The major problem is the provision of a spillway with adequate capacity to safely carry the design flood and that can later be raised the 40 feet which is necessary to provide the 2,100,000 acre-feet of storage for flood control. The sponsors of the "partnership" proposal have not yet indicated how they contemplate solving this problem. Constructing the project to full height in one stage would be much less expensive than two stage development, but this method would presumably require appropriation of funds for the flood control component by Congress concurrently with the construction of the power features. If constructed in two stages the full cost of the second stage to provide flood control would fall upon the Federal Government. Until plans are completed and final estimates known it cannot be said how much additional flood control cost this would entail.

18. As previously stated, limited studies made since the submission of the review report indicate the probability that part of the project storage can be used jointly for power and flood control. Such a plan could provide equivalent flood control storage with the review report plan and more total system power by using this storage to increase the flow through the downstream powerplants. This plan would also greatly simplify the problem of two-stage construction described in the previous paragraph because the addition of outlet sluices would convert the power dam to multiple-purpose uses without any major structural changes. To determine the feasibility and cost of such integrated storage for flood control and system power to develop these water resources to the maximum will require more extensive studies and development work.

19. *Cost allocation.*—No cost allocation of any reasonable degree of accuracy can be made until more detailed planning, either by the Government or otherwise under the proposed partnership arrangement, has developed a more accurate cost estimate, operations plans for use of storage, flood control and power benefits, and principal design features.

Senator MAGNUSON. We will have that amendment ready very promptly for the consideration of the committee.

General ITSCHNER. As I stated earlier, the average annual primary energy with the initial installation of power on this project is 5,291 million kilowatt-hours.

Senator UPTON. That is greatly in excess of the annual consumption in that region, is it not?

General ITSCHNER. Oh, no, sir.

Senator UPTON. That is what I would like to know.

Senator JACKSON. Senator Upton, Grand Coulee is producing, roughly, 1,400 million kilowatts but it has an installed capacity of 2 million kilowatts.

Senator UPTON. It is easy to confuse capacity with output.

Senator JACKSON. The secret of the Columbia River is the ability to build the structures at the various places and coordinate the flow so that you can get the maximum out of it.

For instance, Hungry Horse adds 400,000 kilowatts annually to projects downstream by the release of water from Hungry Horse in Montana at a time when we have low water on the Columbia River. I believe that the present conservative estimate as to new generated capacity is running about 600,000 kilowatts annually. Am I correct?

General ITSCHNER. That is correct, about a 7 percent increase in requirements annually.

Senator JACKSON. We have had a 40-percent increase in population in Washington since 1940. Oregon has had about a 42 percent increase since that time. So, to get back to my premise of a moment ago, if you have a new city of 50,000 coming in every week in the United

States, which is roughly 2½ million people a year, plus the defense requirements, not only does the Northwest need power, but New England needs power, the South needs power, the Midwest and the West need power.

Senator UPTON. I suspect in New England we need power more than you do in the Northwest, but I am trying to find out your present needs in regard to the output of this particular project.

Senator MAGNUSON. They double every 10 years without an increase.

Senator UPTON. I can't understand that as being likely.

Senator MAGNUSON. Thank you, Mr. Chairman.

Senator MORSE. I wish to join with Senator Upton in his request for a detailed report from the Army engineers and now, with an apology for taking up any more time until I am prepared to discuss this matter, Mr. Chairman, it was suggested that I discuss it here this morning and I said I am not prepared to discuss it. I do not know all the facts yet.

Senator BUSH. I am glad the Senator isn't going to speak on it at this time because we are under a great deal of pressure, on my account at least.

Senator MORSE. Before the senior Senator from Washington leaves, I want to make this very brief point because it illustrates a problem I will go into, and I speak not controversially at all. I simply say it is one of the problems we have got to find out, we must learn all the facts about it and be sure about it. This particular segment of the river has got potentialities as is brought out by the information that the two Senators from Washington have presented this morning.

Our development of our resources is a regional problem and not a State problem or a single State problem. My State, Montana, Idaho, that whole area, we have great interest in that river as it flows through the State of Washington.

The Senator from Washington mentioned that a problem had been raised with regard to some arrangement whereby the Federal Power Commission would have the final decision to determine what reasonable allotments would be made with respect to the regions. I think we have to know about that in great detail before we give final consideration to this bill because it would be a great mistake in my judgment for us to adopt a bill that would, in effect, and I will put it in quotation marks, "permit any area to monopolize the resources of the stream when those resources of the stream have regional effects."

We have got to go into that. I should want to go into such questions as the power cost of construction, of the rate of interest that the Grant County Public Utilities District pays on its construction.

After all, what will be the effect of these construction costs on the rates because we know that rates charged in one area have precedential cause and effect relationships on rates in other areas.

We have boasted about the fact that when we consider this matter from the standpoint of the comprehensive approach that the Army engineers have made, we get cheap rates and we get low rates. Our hope for industrial development is cheap power.

I want to be sure, and I don't know what the facts are, but I want to be sure that this project is not going to result in our having a bump on our rate schedule that shows that it is somewhat out of line with the rate schedule in the rest of the Pacific Northwest.

Those are the questions I think we should go into and that is why I think we should have some other hearings out in the field.

I am through, Mr. Chairman, and I thank you very much, but I could not sit here without making note of these things because if I did that, I think my silence would be misunderstood.

Senator MAGNUSON. I think you are absolutely correct in what you are talking about.

Senator BUSH. If there are no further questions or statements to be made at this time, I am grateful to the Senators from the State of Washington for their interest and their fine presentation of their point of view on this.

Senator JACKSON. I assume we may have some supplemental testimony in connection with this that may be submitted later.

Senator BUSH. The committee will not take any action today and we will be glad to hold the matter open.

Senator MORSE. May I say that I do think—I have no objection to a public discussion of it, either public or executive—but I do think we ought to have an early meeting of the subcommittee with all the members present to decide on the future course of this bill, what the committee will do with respect to this bill, because I have been advised that no groups other than the two Senators from Washington, that no groups have been notified about the hearings on this bill and there are many groups that want to testify on it.

Senator BUSH. The Senator mentioned he was very anxious to get the hearings going.

Senator MORSE. I want the record to show that I understood that. My statement does not mean I cast any criticism on the Chair that no groups have been notified. They will have an opportunity to testify, I am sure.

Senator BUSH. That is a matter which we will take up in committee.

We will hold the record open on this matter.

(Whereupon, at 10:22 p. m., the subcommittee adjourned.)

(Agency reports and other communications received are as follows:)

FEDERAL POWER COMMISSION,
Washington, March 12, 1954.

Hon. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: In response to your request there are enclosed three copies of the report of the Federal Power Commission on the bill S. 1793 (amendment), 83d Congress, to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

We have just been advised that there is no objection by the Bureau of the Budget to the presentation of this report to the Committee on Public Works.

Sincerely yours,

JEROME K. KUYKENDALL, *Chairman.*

FEDERAL POWER COMMISSION REPORT ON S. 1793 (AMENDMENT), 83D CONGRESS

This bill would authorize the Federal Power Commission to issue a license under the Federal Power Act to Public Utility District No. 2 of Grant County, Wash., if the conditions of that act and of this proposed enactment were otherwise met, for development of the water resources at the site of the Priest Rapids Dam on the Columbia River in Washington. Construction of the Priest Rapids Dam was recommended by the Chief of Engineers in 1949, as reported in House

Document No. 531, 81st Congress, 2d session, and subsequently authorized by Congress in the Flood Control Act of 1950 (64 Stat. 170, 179). Section 2 of the bill directs that the Priest Rapids site be developed so as to utilize the optimum capabilities of the site as an integrated part of the comprehensive plan of water resources development for flood control, navigation, power, and other beneficial purposes.

Section 3 of the bill would require the Department of the Army to review the plans submitted to the Federal Power Commission and make recommendations with regard to navigation as well as flood-control features. Section 4 specifically provides that navigation locks and flood-control features may be added by the Department of the Army at Federal expense either initially or at a later date. Under section 5, the Corps of Engineers, upon request by the licensee, is authorized to act as the constructing agency, with funds for such purpose being contributed by the licensee.

By means of this bill then it would appear that approximately the same flood-control storage and navigation features could be obtained by the United States as originally recommended by the Army engineers, but with substantially less Federal capital outlay. In other words, the United States can evidently obtain those same navigation and flood-control benefits as presently proposed without constructing the multiple-purpose project recommended in 1949, the principal value of which lies in power generation. The Army engineers estimated that the ultimate complete Priest Rapids Dam would cost the United States (at 1948 cost figures) approximately $379,541,000, plus interest during construction, and that initially the annual power benefits would be $18,520,000, and the other benefits (principally flood control) would be $2,821,000 a year, making the total annual benefits initially $21,341,000.

The bill thus offers a practical method by which a large block of potential hydroelectric power now unused at that site can be developed and made available to farms, homes, cities, and industries in the area, in complete harmony with comprehensive plans for the development of this section of the river, and valuable flood-control and navigation benefits can be obtained at a minimum expenditure by the United States.

The Grand River Dam Authority's Pensacola project on the Grand River in Oklahoma is an example of a similar type of joint Federal and non-Federal development. This project, licensed under the Federal Power Act, provides power and flood-control benefits. The project was constructed by the authority with the United States providing lands on the upper part (in elevation) of the pool which is used for flood regulation under the control of the Corps of Engineers.

The bill provides for its own automatic termination in the event Public Utility District No. 2 fails to file an application for license within 2 years after enactment of the bill or the Federal Power Commission fails to act upon such application within 1 year after it is filed. It is further provided that in the event such a license application is denied by the Federal Power Commission, or if construction of the project is not carried out within a reasonable period as determined by the Commission, its status is to be restored to that authorized originally under the Flood Control Act of 1950.

It is suggested that consideration be given to the advisability of including in the bill language which would provide for allocating the cost of fish handling facilities, if required.

On page 4, line 5 of the bill it is suggested that the disjunctive word "or" be inserted after the word "permit" in order to conform such language to the actual practice and procedure under part I of the Federal Power Act. As a practical matter the reference to a preliminary permit could perhaps be eliminated entirely as serving no useful purpose, since the application for such a preliminary permit has already been filed with the Federal Power Commission.

The last sentence in the bill would require the Commission to act upon the application for license within 1 year from the date upon which such application is filed. Past experience has shown that it would not be possible as a matter of procedure to act upon the application within 1 year should there be serious opposition to the granting of the license and an opponent could thereby nullify the legislation. Consequently, the 1-year limitation is not a practical provision and the last sentence in the bill should be eliminated.

S. 1793 (as amended) appears to permit more latitude than the original bill in the design of the project to realize the maximum feasible utilization of the site and resource. With the above-suggested changes, the Commission therefore recommends enactment of the bill as being in accord with the basic purposes of the Federal Power Act to provide for non-Federal development of water resources

wherever broad public benefits can be obtained in harmony with comprehensive water-development plans.

FEDERAL POWER COMMISSION,
JEROME K. KUYKENDALL,
Chairman.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., March 8, 1954.

HON. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of January 20, 1954, inviting the Bureau of the Budget to comment on a proposed amendment in the nature of a substitute for S. 1793, a bill to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

The legislation appears to offer a practical method whereby potential hydroelectric power at the Priest Rapids site for which there will be a need in the Pacific Northwest can be developed by local interests, and flood control and navigation benefits can be obtained at a minimum cost to the United States.

Your attention is invited to the comments on S. 1793 in our letter of July 15, 1953, to your committee in which it was stated that "the Bureau of the Budget is in sympathy with the objective of the bill to encourage non-Federal participation in this development." The amendment sets forth in more detail than did the original bill the basis on which the authorization for construction by the Corps of Engineers of the Priest Rapids Dam would be modified to permit development of the Priest Rapids site by Public Utility District No. 2 of Grant County, Wash., in combination with others under a license to be issued pursuant to the Federal Power Act. The proposed legislation provides that the Priest Rapids Reservoir shall be developed to utilize the optimum capabilities of the site as a part of the comprehensive plan for economically feasible control and utilization of the water resources of the Columbia River Basin for flood control, navigation, power, and other beneficial purposes. The legislation also provides that the applicant for a license submit its plans for development to the Federal Power Commission and that the Department of the Army review and make recommendations to the Commission with respect to such plans, with particular regard to flood control and navigation. These provisions should assure adoption of the most economical plan for full development of the site, including the addition by the Federal Government of flood control and navigation features either as a part of the initial construction or at a later date.

A new provision in the amendment would authorize the Corps of Engineers to act as constructing agency for all or part of the project. While there may be no serious objection to authorizing the Corps of Engineers to act as an agent for construction of the project, it is believed that the bill should provide further that the licensee shall hold and save the Federal Government from damages resulting from such construction.

The committee may wish to give consideration to including provisions for (*a*) allocating costs of fish handling facilities, if required; (*b*) reimbursement of the United States for reclamation project lands and other Federal lands which may be taken; and (*c*) the integration of power operations of this project with other projects in the area. Furthermore, although we would not want to cause any unreasonable obstruction to completion of the project, we believe that provision should be made for allocation of Priest Rapids power on an equitable basis, in the adjoining States.

As stated in our previous report on S. 1793, in the event that a modification of the project involving the expenditure of Federal funds should be authorized, no commitment can be made at this time as to when an estimate of appropriations therefor would be submitted since this would be governed by the President's budgetary objectives as determined by the then prevailing fiscal situation.

Subject to the considerations mentioned above the Bureau of the Budget would have no objection to enactment of the proposed legislation.

Sincerely yours,

ROWLAND HUGHES,
Deputy Director.

DEPARTMENT OF THE ARMY,
March 9, 1954.

Hon. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of the Army concerning a proposed amendment in the nature of the substitute for S. 1793, 83d Congress, a bill to provide for the development of the Priest Rapids site on the Columbia River, Wash., under a license issued pursuant to the Federal Power Act.

The Department of the Army has considered the above-mentioned amendment and has no objection to its enactment.

The purpose of the amendment to the bill is to modify the authorization of the Priest Rapids Dam as contained in the Flood Control Act of 1950 to permit the development of the Priest Rapids site by Public Utility District No. 2 of Grant County, Wash., in combination with others under a license issued pursuant to the Federal Power Act. The amendment to S. 1793 provides that the Priest Rapids Reservoir site shall be developed to utilize the optimum capabilities of the site and provision is made for determining such development prior to the granting of a license. The inclusion of navigation and flood-control facilities either as a part of the initial construction, or at a later date, at Federal expense would be authorized and operation and maintenance of the project would be subject to reasonable rules and regulations by the Secretary of the Army in the interest of flood control and navigation. The Corps of Engineers would be authorized to receive contributed funds and act as construction agency for all or part of the project. If an application for a license is not filed with the Federal Power Commission within 2 years after enactment of the bill into law, if an application for a license is made and denied by the Federal Power Commission, or if construction under a license is not carried out in a reasonable period of time as determined by the Federal Power Commission, the authorization contained in the Flood Control Act of 1950 would have the same status as before the enactment of the bill into law.

The Department of the Army by letter dated July 16, 1953, commented upon the original draft of S. 1793 dated April 28, 1953. Those comments indicated that this Department had no objection to the construction of Priest Rapids project by the Grant County Public Utility District provided that the project as constructed develops the full capabilities of the site as a part of the comprehensive plan for the control and utilization of water resources for flood control, navigation, power, and other beneficial purposes. Suggestions were made, however, for revision of the bill to protect the public interests in the development of the Priest Rapids site. The bill as now amended is considered to comply with the suggestions contained in the letter dated July 16, 1953, from this Department.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

HARZA ENGINEERING CO.,
Chicago, Ill., May 14, 1593.

Subject: Priest Rapids project—Discussion and development possibilities as related to deauthorization.

BOARD OF COMMISSIONERS,
Public Utility District No. 2, of Grant County,
Ephrata, Wash.

(Attention Mr. G. A. Smothers, manager.)

GENTLEMEN: Reference is made to the attached copy of our appraisal report for the Priest Rapids project. This report includes an appraisal of the development of the gross head available at Priest Rapids by a single high dam and alternatively by 2 smaller dams of approximately equal height, 1 at Priest Rapids and the other at Beverly. Our studies indicate that the development of hydroelectric power at Priest Rapids is technically and economically feasible, either with a two-site or a single-site development. Since submitting our appraisal report during April of 1953, your Mr. Smothers and Mr. Bell, in company with the writer, have had several discussions with General Chorpening

and members of his staff concerning the basic premises for planning the Priest Rapids project. Further discussions have been held with representatives of the Atomic Energy Commission and with Mr. Gatchell and Mr. Farley, of the Federal Power Commission. Following these conferences, Mr. Smothers requested our firm to expand the investigations set forth in the appraisal report to include the two-dam scheme with provisions for future flood control.

The results of our investigations to date and our conclusions follow:

THE TWO-DAM SCHEME

Basic premises for planning

The basic premises for planning for the development of the reach of the Columbia River between Rock Island and Priest Rapids have been set forth in General Chorpening's letter of March 3 to the Federal Power Commission concerning our alternative-project plans. In this letter General Chorpening states:

"The Priest Rapids project should be constructed to develop the full capabilities of the site as a part of the comprehensive plan for the utilization of the water resources, flood control, navigation, power, and other beneficial uses."

With this principle we are in complete agreement. It is absolutely fundamental. We believe we are in thorough agreement with General Chorpening when we state that the final design should produce optimum benefits for the region and at the same time serve the joint interests of flood control, fish and wildlife conservation, power, navigation, and other beneficial uses. These uses will be discussed briefly in the order mentioned in an attempt to resolve what are now seemingly conflicting interests, by a design which meets the fundamental requirements set forth in General Chorpening's letter.

Flood control

The preliminary plans prepared by the Army engineers provide for a flood-storage capacity of 2,100,000 acre-feet, requiring in our plan a maximum reservoir elevation of 575. This provision has been adopted as a basis for our current studies. We understand that the estimated gross annual benefits from this storage would average about $2 million.

The construction of a single high dam at the Priest Rapids site, however, introduces a flood hazard of an entirely different sort: The hazard of creating a large flood wave through the sudden rupture of the dam by ememy bombing. The effects of such a wave on the Hanford Works of the Atomic Energy Commission could be extremely serious. In sharp contrast to the single high dam proposed by the Army engineers, the writer understands that the Atomic Energy Commission would have a natural preference for a low dam at Priest Rapids or perhaps for no dam at all. The Commission does recognize, however, the urgent need for more power in the Northwest, so perhaps some compromise can be worked out.

This gives rise to an extremely important point: The defensibility of the project. The very nature of the situation indicates that the near total destruction which would follow rupture of the high dam by atomic bombing would require a very heavy investment in defense measures to prevent such a catastrophe. Conversely, the rupture of 2 dams, each 70 or 80 feet high located at Priest Rapids and Beverly, would not cause flooding more serious than that in 1948 at the Hanford works, according to preliminary studies which have been made by other agencies. It follows, therefore, that the low dams could be credited with a very substantial benefit in the interest of national defense.

This consideration for the protection of the Hanford works was a primary one in leading us to investigate the two-dam scheme. Because of the economic attractiveness of this scheme we developed it first in the interest of power only. Further study, however, has indicated that the two-dam scheme can also be designed to include provisions for future flood control. This may be accomplished by making provision in the initial construction at Priest Rapids for future extension of the flood-control facilities to elevation 575 providing the required 2.1 million acre-feet of flood-control storage as called for by the plan of the Army engineers. In contrast to the single-dam plan, the pool level would be drawn down immediately following floods and the hazards to Hanford, incidental to a high-level dam, would be negligible. Following drawdown, the two dams would be operated as outlined in our appraisal report.

Along with the flood-control provision at Priest Rapids would be constructed walls for the protection of the Beverly power station during floods. These floods would cause some small loss of power. Flooding would be so infrequent, however, that this power loss would be negligible.

Fish and wildlife

We have had considerable experience in dealing with Fish and Wildlife on this matter of high dams. From this experience we would anticipate considerable opposition to the high-dams scheme. The two-dam scheme offers the considerable advantage of permitting fish-passing facilities which fall within the limits of existing experience and which, we believe, should be thoroughly acceptable to Fish and Wildlife. This scheme offers the additional advantage of providing Kaplan turbines, which are not nearly so destructive to the downstream migrating fingerlings as would be the Francis turbines required by the single-state development.

Power

The power is needed now. There is no need to support this statement in this letter—the ever-widening gap between installed generating capacity and power demand in the Pacific Northwest bears eloquent witness to the fact. The two-dam scheme makes full use of the power resources of the river between Priest Rapids and Rock Island. Our appraisal report substantiates this claim.

The construction of the first dam at Priest Rapids, whether designed for future flood control or not, would add to the primary energy output of the system in excess of 3.6 billion kilowatt-hours annually. This project is economically feasible and should be easily financeable. To delay construction because of future flood-control development in a high dam, which is almost certain to be highly controversial, would have the effect of retarding seriously the industrial growth of the region. The annual losses in wages and in the increased value of manufactures alone could far outweigh the annual benefits of $2 million which might accrue to flood control. In fact, any increase in the incremental value of flood control which might be brought about by providing for future flood control in the two-dam scheme would be matched within a few years or less by the additional benefits of developing power now.

There are other incidental benefits which will loom rather large when the various possible schemes are compared on a balance-sheet basis to determine the ratios of annual benefits to annual costs. Interest during construction, for example, for the two-dam scheme will be only about half of what it will be for the single-dam scheme. This item alone could offset the incremental increase in construction costs accruing to the two-dam flood-control scheme.

Navigation

Regardless of the scheme adopted, navigation will present no unusual problems. Provision for future navigation facilities can be provided in all schemes.

Project investment for two-dam scheme

The project investment for the two-site power development is $358 million, as described in the appraisal report. The provisions at Priest Rapids and Beverly for future extension are estimated to cost about $3 million, bringing the total investment for initial construction to $361 million.

The investment required for providing flood-control storage of 2,100,000 acre-feet at some future time is estimated to be $159 million, as given in the attached table.

Comparison with single-site development of flood control, as given in the appraisal report, shows:

	Single-site development	2-site development
Initial project with provisions for raising	$453,000,000	$361,000,000
Power allocation (cost of power project only—2-site development)	358,000,000	358,000,000
Cost of flood-control features, initial construction	95,000,000	3,000,000
Future extension for flood control	54,000,000	159,000,000
Cost of flood-control features, final construction	149,000,000	162,000,000
Total cost of projects with flood control added	507,000,000	520,000,000
Increase in incremental cost of flood control—2-site development		13,000,000

SUMMARY

At this point it seems timely to invite attention to some extremely important considerations concerning the foregoing investigations as they affect your request for deauthorization:

1. In requesting deauthorization your district is attempting to carry out its responsibility to furnish power to your area and to help relieve the extremely severe power shortage in the Pacific Northwest. Your district is willing to undertake the construction of the power features of the Priest Rapids project with the initial designs providing for future flood control and navigation, according to Army engineers' requirements. The minimum construction cost of developing the full power resources between Rock Island and Priest Rapids by a 2-dam development would be $358 million as compared to $412 million for a single-dam development. No request will be made to Congress for financial assistance. Private financing, to this extent, will be of a deflationary nature in contrast to the inflation that must of necessity accompany continued Government financing of projects of this type. The Priest Rapids station, with a two-site development, would add over 3.6 billion kilowatt-hours of primary energy to the system output. The cost of generation would be below 3 mills. This power is needed now.

2. Your district accepts the view that the plan for Priest Rapids must fit in with the comprehensive plan for the Columbia River Basin. The optimum use of the reach of the river between Rock Island and Priest Rapids will require intensive study of all possible schemes as a part of the project planning program which must precede design and construction. For this reason we have taken the position very strongly, during our recent conferences in Washington with your Mr. Smothers and Mr. Bell, that the proposed deauthorization legislation should in no sense attempt to narrow down the engineering for Priest Rapids to any one scheme. Project planning, the next step in engineering, should be pointed toward the best and most economic use of the resources of the region as they apply to this project.

3. Our investigations to date indicate that it is feasible to provide flood-control storage up to 2,100,000 feet, the requirement of the Army engineers, with either a 1-dam or a 2-dam project and at comparable construction cost. According to our preliminary estimates, the incremental increase in the cost of constructing the 2-dam scheme, complete with flood control, would be only $13 million more than the cost of the 1-dam scheme complete with flood control. This difference is hardly within the limits of estimating accuracy, considering that the project as a whole will cost in the order of $500 million.

4. The advantages of the 2-dam scheme are so outstanding that full consideration should be given to its possibilities during the project planning phase. Security to the Hanford Works and the conservation of fish favor the 2-dam scheme, and the assurance of an early supply of power will provide regional benefits which will exceed by far any increase in the incremental cost of flood control which can be attributed to this scheme.

Very truly yours,

CALVIN V. DAVIS, *Vice President.*

Priest Rapids 2-story development—Total project investment, Priest Rapids and Beverly projects—Future extension for flood control

Account No. 320. Land and land improvements:	
Land and land rights	$1,750,000
Reservoir relocations	25,552,000
Account No. 321. Powerhouse with integral intake:	
Priest Rapids	12,950,000
Beverly	693,000
Account No. 322. Dam and spillway:	
Priest Rapids	72,709,000
Beverly	1,760,000
Account No. 326. Road, railroads, and bridges	5,140,000
Subtotal direct cost	120,554,000
Contingencies, 20 percent	24,446,000
Total, direct cost	145,000,000
Engineering, supervision, and overhead (5 percent of direct cost)	7,000,000
Total, construction cost	152,000,000
Interest during construction (4.4 percent of $159,000,000)	7,000,000
Total project investment	159,000,000

[Telegram]

Senator PRESCOTT BUSH,
Senate Office Building, Washington, D. C.:

Washington State Columbia Basin Commission, a legal agency, in session yesterday unanimously adopted resolution urging passage of Priest Rapids Dam authorization either with or without amendments.

HUBERT H. WALTER,
Administrative Assistant, Columbia Basin Commission.

COUGAR DAM AND RESERVOIR, OREG.

THURSDAY, MAY 20, 1954

UNITED STATES SENATE,
COMMITTEE ON PUBLIC WORKS,
SUBCOMMITTEE ON FLOOD CONTROL—RIVERS AND HARBORS,
Washington, D. C.

The subcommittee met, pursuant to call, at 10:23 a. m., in room 412, Senate Office Building, Senator Prescott Bush (chairman of the subcommittee) presiding.

Present: Senators Bush, Upton, Stennis, Burke, and Morse.

Also present: Senators Cordon, Magnuson, and Jackson, and Mr. Ellsworth Bassett, clerk.

Senator BUSH. The subcommittee will come to order.

We have up for consideration this morning S. 2920 and H. R. 7815, bills to provide for construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

A copy of S. 2920 and H. R. 7815 will be made a part of the record at this point.

(S. 2920 and H. R. 7815 are as follows:)

[S. 2920, 83d Cong., 2d sess.]

A BILL To provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oregon, with participation for power by the city of Eugene, Oregon

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the comprehensive plan of improvement for the Willamette River Basin, Oregon, as authorized by the Act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent Acts of Congress, is hereby modified to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir project under the direction of the Secretary of the Army and supervision of the Chief of Engineers substantially in accordance with the plans contained in House Document Numbered 531, Eighty-first Congress, second session, and is hereby further modified to include power facilities at Cougar Dam which may be provided by the city of Eugene, Oregon, in accordance with the terms of the Federal Power Act and in accordance with this Act.

SEC. 2. The Cougar Dam and Reservoir shall be constructed, operated, and maintained by the Department of the Army as a unit of the comprehensive plan for the Williamette River Basin for the control and utilization of the water resources for flood control, navigation, power, conservation, and other beneficial purposes, and the appropriation of funds therefor is authorized.

SEC. 3. Power-generating facilities and appurtenances therefor may be constructed by the city of Eugene, or such facilities and appurtenances may be constructed by the Corps of Engineers as agent for the city of Eugene with funds advanced therefor by the city. Such construction shall be in accordance with provisions of a license by the Federal Power Commission, and with the provisions of this Act. The city of Eugene shall own all such facilities and appurtenances and shall operate and maintain such facilities and appurtenances at its own cost and expense.

SEC. 4. The dam and reservoir shall remain the property of the Federal Government. The city of Eugene shall pay to the Department of the Army such proportionate share of the cost of construction, operation, and maintenance of the dam and reservoir as may be appropriately allocated to power development, such allocation to be made by the Chief of Engineers, under direction of the Secretary of the Army, in collaboration with the Federal Power Commission in accordance with the "Separable-cost-remaining benefits" method of cost allocation as recommended by the Federal Inter-Agency River Basin Subcommittee on Benefits and Costs in its report dated May 1950, or by such other method as may be mutually agreed upon by the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission.

SEC. 5. The Chief of Engineers, under the direction of the Secretary of the Army, shall enter into an agreement with the city of Eugene, acting by and through its Eugene Water and Electric Board, for the operation of the dam and reservoir insofar as such operation affects the development of power, for contribution of funds by the city in accordance with this Act, and for other matters necessary for the joint construction, operation, and maintenance of the Cougar Dam and Reservoir project in accordance with this Act. Such agreement shall be for a period consistent with the period of the license issued by the Federal Power Commission and may be amended from time to time by mutual agreement.

[H. R. 7815, 83d Cong., 2d sess.]

AN ACT To provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oregon, with participation for power by the city of Eugene, Oregon

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the comprehensive plan of improvement for the Willamette River Basin, Oregon, as authorized by the Act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented by subsequent Acts of Congress, is hereby modified to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir project under the direction of the Secretary of the Army and supervision of the Chief of Engineers substantially in accordance with the plans contained in House Document Numbered 531, Eighty-first Congress, second session, and is hereby further modified to include power facilities at Cougar Dam which may be provided by the city of Eugene, Oregon, in accordance with the terms of the Federal Power Act and in accordance with this Act.

SEC. 2. The Cougar Dam and Reservoir shall be constructed, operated, and maintained by the Department of the Army as a unit of the comprehensive plan for the Willamette River Basin for the control and utilization of the water resources for flood control, navigation, power, conservation, and other beneficial purposes, and the appropriation of funds therefor is authorized.

SEC. 3. Power-generating facilities and appurtenances therefor may be constructed by the city of Eugene, or such facilities and appurtenances may be constructed by the Corps of Engineers as agent for the city of Eugene with funds advanced therefor by the city. Such construction shall be in accordance with provisions of a license by the Federal Power Commission, and with the provisions of this Act. The city of Eugene shall own all such facilities and appurtenances and shall operate and maintain such facilities and appurtenances at its own cost and expense.

SEC. 4. The dam and reservoir shall remain the property of the Federal Government. The city of Eugene shall pay to the Department of the Army such proportionate share of the cost of construction, operation, and maintenance of the dam and reservoir as may be appropriately allocated to power development, such allocation to be made by the Chief of Engineers, under direction of the Secretary of the Army, in collaboration with the Federal Power Commission in accordance with the "separable-cost-remaining benefits" method of cost allocation as recommended by the Federal Inter-Agency River Basin Subcommittee on Benefits and Costs in its report dated May 1950, or by such other method as may be mutually agreed upon by the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission.

SEC. 5. The Chief of Engineers, under the direction of the Secretary of the Army, shall enter into an agreement with the city of Eugene, acting by and through its Eugene Water and Electric Board, for the operation of the dam and

reservoir insofar as such operation affects the development of power, for contribution of funds by the city in accordance with this Act, and for other matters necessary for the joint construction, operation, and maintenance of the Cougar Dam and Reservoir project in accordance with this Act. Such agreement shall be for a period consistent with the period of the license issued by the Federal Power Commission and may be amended from time to time by mutual agreement.

Passed the House of Representatives May 19, 1954.

Attest:

LYLE O. SNADER, *Clerk.*

Senator BUSH. The first witness from whom we will hear on this subject this morning will be Senator Guy Cordon from the State of Oregon.

STATEMENT OF HON. GUY CORDON, A UNITED STATES SENATOR FROM THE STATE OF OREGON

Senator CORDON. The purpose of the bill which this committee is now considering is to modify the plan for comprehensive development of the Willamette Basin in Oregon. The modification will make a provision for the addition of power facilities to a dam which is presently authorized only as a flood-control project. Under the terms of this bill, the city of Eugene, Oreg., will be given the right to install those power facilities.

Basically the bill says that the dam and reservoir shall be constructed, owned, operated and maintained by the Federal Government. The power generating facilities will be paid for, owned, and operated by the city.

To review briefly the Cougar Dam project, let me trace for the committee the legislative history of the plan for the development of the McKenzie River section of the Willamette Basin.

The original project for the development of that stream was authorized by the Flood Control Act of 1938 on the basis of recommendations in House Document 544, 75th Congress, 3d session. This original authorization called for the construction of a single high dam on the main stem of the river. Considerable opposition from sports and commercial fishing interests blocked the realization of that plan, however, and an alternate was developed by the Corps of Engineers. This alternate plan involved the construction of three smaller dams to be erected on streams tributary to the main McKenzie River. The major unit of this three-dam plan is the Cougar project.

This project was recommended by House Document 531, 81st Congress, 1950. In acting on this document, Congress considered the Cougar project and one other project to be authorized under the original action in 1938. Since that original authorization did not include any but minimum provisions for power, Cougar Dam is not considered to be so authorized.

The other units of the three-dam plan are not considered to contain the qualifications necessary to make the generation of power economically feasible.

The Cougar project is located in Oregon on the South Fork of the McKenzie River about 45 miles east of the city of Eugene. To further orient this committee, Eugene is located 120 miles south of Portland and is in the upper end of the valley of the Willamette River.

The city of Eugene has a population of approximately 35,000. The total population of the city and its suburban area is more than 75,000.

The city, and much of the immediate surrounding area, receives its water and electric utility services from the Eugene Water and Electric Board, an organization owned and operated by the municipality.

This board was established some 40 years ago and since that time has developed into a model of efficient and economic municipal utility operation, and that position, I may say, is shared with the city of Tacoma and the city of Seattle in the State of Washington to the north. The three municipal outfits are known throughout the United States as models in their particular field.

The city, through its board, has done a magnificent job of providing adequate, low-cost power to its citizens and to the citizens of the suburban area it serves. The city owns and operates two hydroelectric generating plants on the McKenzie River and also owns and operates a plant which provides electricity through steam generation.

But, like all the Northwest, Eugene has experienced tremendous growth in recent years. During the past 10 years the population of the city and its immediate surrounding area has more than doubled. This unprecedented growth has, of course, caused the demand for electric power to reach a critical point. This situation, as this committee knows, is typical of the Northwest as a whole.

The city of Eugene is noted for its policy of meeting its own needs, so far as power generation is concerned, and has for several years been studying many possible means of adding hydroelectric projects to those it already owns. When the administration of President Eisenhower announced the Federal power policy encouraging local communities to undertake with the cooperation of the Federal Government the construction of powerplants, Eugene started intensive investigations into the possibility and feasibility of participating in the Cougar project.

With the full cooperation of the Corps of Engineers, the city developed a plan which would permit a joint venture in the construction of the project which would be beneficial to both the people of the Eugene community and to the people of the United States.

The device which will bring that plan to full realization is the bill now under the consideration of this committee. It proposes that when Cougar Dam is built, the local community will pay the full costs of all power features and in turn will receive the benefits of the power generated at the project. As previously stated, the city will own and operate the power-producing facilities at the site. Because of the location of the dam, its power output can be integrated perfectly into the Eugene system.

Under the plan for power generation which was worked out by the city, the provisions for power at Cougar as originally conceived by the Corps of Engineers will be modified to fit the needs of the Eugene system. The principal modification would change the installed capacity of the power feature from 25,000 kilowatts to 37,500 kilowatts. This change would permit the operation of the dam on a peaking or part-time basis, at an annual load factor of 40 percent. This means only that the power facility at the dam would operate during those periods of the day when the need for power is greatest.

This modification would also require the construction of a reregulating dam about 3 miles below the main dam. The basic purpose of this dam would be to smooth out the flow of the river and minimize

any fluctuations caused by the operation of the high dam. Power installation at the regulating dam would produce 1,500 kilowatts of firm power. The addition of this structure would not interfere in any way with the conservation and flood-control uses of the main dam.

The power which this project would provide would go a long way toward solving the immediate problem of one of the areas in the Northwest where the power need is most critical.

But of even more economic importance to the Eugene community is the flood control which this project would provide. As was pointed out earlier, this project was originally authorized for flood control with only minimum provisions for power. The Corps of Engineers, the Congress and the Bureau of the Budget considered the flood-control features of the project valuable enough to warrant its construction even though the power provisions were kept at a minimum. In other words, in the language of the flood control law of this country, the present dam is a feasible structure and it was found to be so or it would not have been authorized.

The benefit-to-cost ratio of this project, without power, is 1.88 to 1. When power is included, under the plan set forth by this bill, the benefit-to-cost ratio of the flood-control project is increased to 2.06 to 1.

I call attention to the fact that the flood-control value in the area is increased by the dollars which would be spent by the local people rather than the Federal Government under the flood-control project.

Flood control is vital in this area for many reasons. The agricultural land which is affected by high water is intensively cultivated. Densely populated residential and industrial areas are subject to high water. The Willamette River, which the McKenzie joins some 10 miles north of the city of Eugene is now controlled and, ironically enough, this has created a virtually untenable situation in the richly developed delta area above the confluence of the 2 rivers. The level of the Willamette is reduced by the flood control works on its main stem and on its tributaries and in times of flood the McKenzie cuts its way to the lower level and causes damage which totals well over $1 million per year.

The cost of the project under consideration by this committee totals $37,400,000. Of that amount the power aspects would represent about $10,500,000. The proposal embodied in this bill is that the city assume the full costs of providing the power features of the dam, including the reregulating structure, transmission lines and other facilities, and to pay also its fair share of the total cost of the dam. The city would pay all costs of operation and maintenance of the power features and, in addition, would pay its portion of the operation and maintenance costs of the entire project.

Under an agreement which would be authorized by this legislation, the Corps of Engineers would construct the dam and reservoir and the city would pay to the Government the share of the costs allocated to power. The city would also bear the full costs of the power features. Understand, there is a portion of the main structure allocated to power itself. Then there are features, such as generators and so forth, which are purely power features. The city would pay that as its share in the total investment in the dam.

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Insofar as the power facility is concerned, the city would, of course, have to make its case before the Federal Power Commission, as would any applicant for a license to construct a power project.

The exact allocation of costs between the Government and the city would be a matter which would be accomplished by joint action of the Corps of Engineers and the Federal Power Commission.

Under the allocation tentatively considered, the city would bear the cost of the power features, some $6 million; would pay the costs of making the dam suitable for the production of power, which costs would amount to $4 million; and in addition, would pay to the Federal Government one-half million dollars toward the flood-control feature of the dam. The $4½ million last mentioned would be a contribution to the construction of property which would be owned by the Federal Government.

This proposal was passed yesterday by the House of Representatives. It was studied by the House Committee on Public Works and by that group's Subcommittee on Flood Control and the committee and the subcommittee reported unanimously in favor of passage of this legislation. The bill has received the active support of both public and private power agencies in the Northwest. It has been endorsed by local granges, sportsmen's groups, commercial fishing interests, business interests, chambers of commerce, and other organizations. The Governor of the State of Oregon and the Governor of the State of Idaho have been active in supporting this legislation.

It has also been recommended for enactment by the Federal Power Commission, the Corps of Engineers, the Bureau of the Budget, and the Department of the Interior. President Eisenhower personally endorsed the bill shortly after its introduction in the Senate. He endorsed the principle involved in it.

By participating in this project, the people of the city of Eugene will provide for their own power needs—at less cost than could otherwise be done—and will also serve to reduce the burden on an already overburdened Federal Treasury. This bill would give the people of the Eugene community the right to invest in their own future and at the same time to assist in the development of a vitally needed public improvement project. This bill commends the earnest consideration of this committee.

Senator BUSH. What is the estimate of the Federal Government's contribution, money contribution? You mentioned the total contribution of $6 million.

Senator CORDON. The cost is $37,400,000.

Senator BUSH. Total cost?

Senator CORDON. Yes; that is the total cost and of that amount $10.5 million represents the power aspects.

Senator BUSH. Which the local people would provide?

Senator CORDON. Yes, sir, and if I understand correctly, then there is a $4 million participation in the overall project. That is included in the $10.5 million.

Senator BUSH. It was according to your earlier statement. Are there any questions that the committee wishes to ask of Senator Cordon? Do you wish to comment on the bill, Senator Morse?

Senator MORSE. Again, this is another bill which, after I get through studying it, I will have a lot of comment on.

I think that I should not take the time, first, because I want to study it more although I could comment at some length, but we have some other witnesses and I am sure that Senator Cordon shares my view in that regard. They should get their testimony in today. It would therefore not be necessary for them to come back later. They are representing the Eugene Power Board, Mr. Price, Mr. Short, and Mr. Taylor, and I would like to have them give their statements now so that they would be convenienced.

Senator BUSH. Colonel Whipple has an engagement over at the House and I promised him I would hear him first, and I am sure our friends do not object to waiting a few minutes.

Do you object to that, Senator Morse?

Senator MORSE. That is perfectly all right. May I, just because I have always felt that there was a great deal of waste between the Senate and the House in taking testimony, make this statement?

Very frequently I think we can save time and certainly save money if we did these things jointly, but we do not. At least it seems to me we ought to incorporate the House hearings as a part of our committee hearings. They are going to be printed and I think they ought to be placed on file with our committee and when our transcript is supplied for this hearing, it should be accompanied with a printed copy of the House hearings.

Senator BUSH. Without objection, we will certainly do that and I think that this also applies to this other bill that Senators Jackson and Magnuson were interested in.

Senator MAGNUSON. I want to leave for the record this statement: I think the committee should clearly understand we are dealing with a complete change of Federal power policy which could have its effect, and would have its effect throughout the entire Pacific Northwest, and I think I will have something to say on that later.

Senator BUSH. Colonel Whipple, do you wish to make a statement or are you here to answer questions?

STATEMENT OF COL. WILLIAM WHIPPLE, UNITED STATES ARMY, CORPS OF ENGINEERS

Colonel WHIPPLE. I might make a statement to cover several points. Senator Cordon has covered the bill very completely.

From the engineering point of view, it ties in particularly well with the dams already built by the Eugene Water and Electric Board on the same stream. There are already two dams in existence that will be benefited by the flow of this stream and, in addition, they have two further dams they are attempting to get permits from the Federal Power Commission on the upper tributaries. It will be on their main-line transmission, and from a physical and engineering point of view, it ties in unusually well with other facilities that they have in the same area.

We testified at some detail in the House regarding how power and flood control can be reconciled in this case.

The cost allocation that we have made tentatively was made on the basis of a plan of operation that was worked out by our Portland District Corps of Engineers, which is the plan that we had in mind for use in the event the project was constructed as a Federal project.

The flood season is right in the winter. The floods occur from warm rains and winds on the snow packs on the mountains. Seasonal floods occur and there is a correlation possible between the operation of the dam for flood control and for power to a very high degree.

In the summer there are no potential floods and it is possible to use practically the entire storage of the project for joint purposes of power without sacrificing the need to protect the flood control.

It is an unusually high dam. It will impound over 440 feet of water. It is very cheap to construct for such a high dam because the rock is immediately available and the excavation from the spillway will provide the rock to fill the dam.

We have worked on the cost estimates and the cost allocations and for the stage of development we are at now, we feel that the figures given are substantially accurate although, of course, the final allocation of costs will be made after the project is constructed in the light of what actual experience has been.

Senator BUSH. Thank you very much. Are there any questions of Colonel Whipple?

Senator MORSE. Does the bill at the present time cover the storage and release of water or must that be worked out between the Army engineers and the Eugene Water and Electric Board?

Colonel WHIPPLE. The bill does not specifically provide for it. The bill calls for an agreement that will cover those points. We have gone into those matters with the Eugene Water and Electric Board. We have some tentative plans that are acceptable both to us and to them so that we feel when the time comes it is possible to have an agreement that will be satisfactory to both.

Senator MORSE. Mr. Chairman, Senator Upton and I would like to have the Army engineers file with us the same detailed report that asked for in respect to the other bill, and I think that report ought to contain what the tentative understanding is with the Eugene Water and Electric Board in regard to the storage and release of water.

Colonel WHIPPLE. There is a good deal on that in the House testimony and we will, of course, file it.

(The matter referred to is as follows:)

INFORMATION REPORT, COUGAR DAM AND RESERVOIR, WILLAMETTE RIVER BASIN, OREG.

1. *General.*—This report summarizes the past history of project formulation and authorization for Cougar Dam, the basis for recommending construction of a flood-control and multiple-purpose project including power-generating facilities, and the relationship between the flood-control and power functions. It contains a description of the project as now contemplated on the basis of preliminary planning studies, as well as an estimate of costs and benefits and an economic analysis of the overall project. Data are presented as to preliminary allocation of costs to the power function and as to tentative plans and understandings with the Eugene Water and Electric Board in regard to construction, operation, and maintenance of the project and the manner in which waters will be stored and released in the interest of all concerned.

2. *Project history.*—Cougar Dam is the major unit of a three-dam alternative plan selected in lieu of the originally authorized Quartz Creek Dam on main McKenzie River. Quartz Creek Dam was 1 of a system of 7 multiple-purpose dams for Willamette River Basin recommended in the 1937 Corps of Engineers report published as House Document 544, 75th Congress, 3d session, and authorized for construction by the Flood Control Act of 1938. In the interim between 1937 and the time when detailed planning could be initiated, local opposition to a main-stream dam developed among sport and recreation interests and fishery

groups. Because of that opposition, a substitute plan for headwater storage was devised and approval of local interests was obtained. The substitute plan, consisting of dams at Cougar, Blue River, and Gate Creek sites, subsequently was described and recommended in the Corps of Engineers 1948 Review Report on Columbia River and Tributaries (House Doc. 531, 81st Cong., 2d sess.). In acting on that report, the Bureau of the Budget stated that Cougar and Blue River Dams would be in accord with the program of the President. Joint House-Senate conferees, in acting on the recommendations cleared by the Bureau of the Budget, stated that Cougar and Blue River could be considered authorized in lieu of Quartz Creek Dam to serve all the functions which would have been served by Quartz Creek.

3. As recommended in House Document 531, Cougar Dam would have included power-generating facilities. Inasmuch as power facilities were not authorized for Quartz Creek Dam, however, Cougar Dam authorization as an alternate in lieu of Quartz Creek does not include authorization of economically feasible power-generating facilities. Accordingly, additional authorization will be necessary before the full potential of the Cougar site can be realized.

4. *Needs of McKenzie and Willamette River Basins.*—Water resource control, development, and utilization is needed in both McKenzie River Basin, and throughout the entire length of Willamette River Basin for prevention of flood damages; improved drainage of major areas of lands; additional supplies of electric power; and increased low-water flows in the interest of domestic water supply, irrigation, navigation, pollution abatement, and preservation of fish life. McKenzie River Basin is one of the major tributary basins in Willamette River Basin which have not had the advantage of flood-control and water-conservation benefits afforded the rest of the basin by projects existing or under construction.

5. An extensive area of agricultural land and several cities lying along McKenzie and Willamette Rivers are endangered and damaged every year by flood-waters from those streams and their tributaries. That situation now is aggravated by the interim condition in which flood flows in Willamette River above the confluence of McKenzie River are considerably reduced by control now effected at Cottage Grove, Dorena, and Lookout Point Dams, whereas McKenzie River flows are uncontrolled. The resulting unbalanced flow conditions caused temporary increase in damages along lower McKenzie River and on the delta between McKenzie and Willamette Rivers because of the steeper water-surface slope and higher inchannel and overbank velocities along McKenzie River. Cougar Dam will be an important element in reducing flood damages in 10 cities and on 230,000 acres of agricultural land along the McKenzie and almost the entire length of Willamette River below the mouth of the McKenzie River, and will be particularly effective in eliminating damages on the McKenzie, especially those due to the interim unbalanced condition which now exists.

6. The Bureau of Reclamation has estimated that about 176,000 acres of farmland lying below Cougar Dam can be irrigated. Of that total, about 68,000 can be served only by McKenzie River reservoirs. It is estimated that in addition to water for lands which can be supplied only from the McKenzie, about 14 percent of the water ultimately to be supplied to land along Willamette River below the mouth of McKenzie River would be supplied from McKenzie River reservoirs. Pending completion of other irrigation storage reservoirs within the McKenzie River Basin, Cougar Dam would be able to supply about one-half of the total irrigation water eventually to be supplied by McKenzie River reservoirs.

7. In conjunction with other Willamette Basin projects, Cougar Reservoir would assist materially in providing increased flow to dilute the pollution load in Willamette and McKenzie Rivers and providing improved navigation conditions in Willamette River as the result of increased flows during periods of naturally low stages. With increased population in Willamette Basin, the provision of an adequate supply of domestic and industrial water at a reasonable cost is becoming a serious problem in many areas. Cougar Reservoir would be a logical source for at least part of the domestic water supply for that portion of the area along McKenzie River and Willamette River at and downstream from the Eugene-Springfield area.

8. As in the rest of the Pacific Northwest, power demands in McKenzie and Willamette River Basins have been increasing rapidly and are anticipated to continue to grow as the land, forest, and water resources of the basin are developed. The Eugene-Springfield area, in particular, is a major load center located at a considerable distance from the principal generating stations on the Columbia River. Power developed at Cougar Dam would be small in total

amount but of considerable value in serving the needs of that area, as transmission costs would be at a minimum by comparison with transmission from Columbia River plants.

9. The estimated distribution of benefits, based on the latest available information, is as follows: Flood control, 63 percent; irrigation, 10 percent; power, 23 percent; and all others, about 4 percent. It will be noted that Cougar, which is essentially a flood-control project, can serve other water-use functions to the advantage of the entire basin. Additional information as to estimated average annual benefits creditable to Cougar Dam for serving the needs outlined in the foregoing paragraphs is contained in paragraphs 13 through 22.

10. *Project description.*—Cougar Dam will be located on South Fork McKenzie River, 4.4 miles above its mouth. The general location of the site is shown on plates 1 and 2. The river elevation at the site is 1,274 feet above mean sea level. The canyon at the site is U-shaped, in cross-section, with steep walls rising more than 500 feet above the riverbed. The drainage area above the site is 202 square miles.

11. Cougar Dam, as shown on plates 3 and 4,[1] will be an earth- and rock-fill structure, about 430 feet high from riverbed to top of the dam. A gated-chute spillway, designed to discharge the maximum computed spillway design flood, will be located in the left abutment. The spillway will be provided with a stilling basin to dissipate energy in the high-velocity overflow. The flood-control outlets will be located in the left abutment and will discharge into the spillway stilling basin. The power penstock also will be in the left abutment but entirely separate from the flood-control outlets, except that the intake structures will be combined. On the basis of plans in House Document 531, the powerhouse would have an installed generating capacity of 25,000 kilowatts.

12. *Project cost and annual charges.*—The estimated total cost of the project with complete power-generating facilities is $37,400,000. This estimate includes allowance for engineering and supervision and from 25 to 30 percent for contingencies on various items. The capital or investment cost, including interest on expenditures during construction of the project, is estimated to be about $39,047,000. Annual charges include interest at 2½ percent and amortization, in a 50-year period, of the total capital investment plus costs for replacement of certain items and for operation and maintenance for the complete project including power-generating facilities. Allowance also is included for possible loss of taxes on lands and improvements to be acquired for the project. Estimated total annual charges amount to $1,668,000.

13. *Project benefits, general.*—The benefits that would accrue from serving the needs of the basin are estimated on the basis that the Cougar project as a whole would be constructed substantially in accordance with the plans outlined in House Document 531, 81st Congress, 2d session, and operated by the United States as an element of the integrated Willamette Basin development. Benefits are based on third quarter 1953 prices, adjusted to eliminate, insofar as possible the effect of any change in the value of the dollar during the period when benefits will accrue to the project. A detailed discussion of the benefits to be derived from the project follows.

14. *Flood control.*—The reduction of flood discharges along McKenzie River and Willamette River below the mouth of McKenzie River as a result of planned operation of Cougar Reservoir will result in flood-control benefits estimated to average $1,873,500 annually. Those benefits will consist of reduction of damages to lands and improvements along the streams, increased land use as a result of protection of lands against flooding, and facilitation of major drainage of extensive areas of land now poorly drained. Estimates of flood damages and benefits were based on damage surveys made following several recent floods and studies of the effect of Cougar Reservoir on stages for floods of various magnitudes.

15. Cougar Reservoir, in combination with the authorized Blue River and proposed Gate Creek Dam in McKenzie River Basin, will eliminate about 83 percent of the flood damage along McKenzie River and, combined with other reservoirs of the comprehensive Willamette Basin project, will eliminate about 88 percent of the damage along Willamette River below McKenzie River. Protection will be afforded to 1 city on McKenzie River, 9 cities on Willamette River, and about 230,000 acres of agricultural land. Estimates of future benefits are based on economic development expected by 1975.

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[1] Plates not printed.

16. *Irrigation.*—The Bureau of Reclamation has found that 176,100 acres of land lying downstream from Cougar Reservoir can be irrigated. Of those lands, 68,000 acres can be served only by stored water from McKenzie River reservoirs. The remaining 108,100 acres of land can be served by pumping directly from Willamette River. An increased water supply to pemit pumping to those lands may be furnished from any reservoir having stored water available. A study of reservoir operation shows that about 14.5 percent of the water pumped from Willamette River below the mouth of McKenzie River for the irrigation would be supplied by McKenzie River reservoirs.

17. The ultimate average annual demand for irrigation water to be diverted from McKenzie River is estimated to be about 75,000 acre-feet, and the maximum demand will be in the order of 130,000 acre-feet. Provision of 65,000 acre-feet of irrigation storage at Cougar Reservoir will supply the estimated maximum annual demand for about one-half of the total potential irrigable acreage to be supplied directly from the McKenzie River. The uncontrolled flow of McKenzie River added to the 65,000 acre-feet reservation at Cougar Reservoir appears to be adequate to provide for any irrigation demand which can be expected to develop prior to construction of other dams on McKenzie River tributaries. That portion of the ultimate irrigation demand along the main stem of Willamette River which eventually would have to be supplied from McKenzie River storage is not expected to develop prior to construction of additional storage on McKenzie River.

18. The Bureau of Reclamation has estimated the gross value of the increase in crop production attributable to irrigation on various land classes, the cost of distribution systems to supply water to the above lands, and annual operation and maintenance costs of the distribution systems. After due allowances were made for on-farm costs, increased overhead, taxes, the cost of distribution, etc., the remaining benefits was divided between reservoirs and the necessary distribution works. The total average annual irrigation benefit credited to Cougar Reservoir amounts to $301,000.

19. *Power.*—If power at Cougar Dam were developed by the Government, it would be used to firm up the generation of Columbia River power projects during the seasonal low-flow period. The power would be utilized in or near Willamette Valley and would thereby gain an advantage over the Columbia River projects in transmission costs. The value of the power produced is estimated at $663,800, based on rates at load center of $16.50 per kilowatt of dependable capacity and 3.34 mills per kilowatt-hour of primary energy. Releases from Cougar storage will pass through existing non-Federal hydropower installations on McKenzie River at Leaburg and Walterville, yielding additional power valued at $23,400 annually for the two plants. Releases also will pass through existing private installations at Willamette Falls on Willamette River, permitting increased power production valued at $3,000 annually. The total of these downstream benefits is $26,400, based on 2.5 mills per kilowatt-hour.

20. *Navigation.*—The flow of the Willamette River is subject to extreme annual fluctuations. A seasonal low extends from approximately August 1 to November 1 each year. Those low flows coincide to a considerable degree with the period of greatest navigation usage, and measures being taken to facilitate navigation are aided by additional water during that period. Cougar Dam, located upstream from the Willamette River navigation channel, will provide benefits along the entire navigable reach. It is estimated, however, that the average annual navigation benefit creditable to Cougar Reservoir will be quite small, especially during such time as Cougar may be called upon to supply the full 65,000 acre-feet of water for irrigation in the interim prior to construction of other dams in McKenzie River Basin. Accordingly, that benefit has not been evaluated at this time, even though a small annual benefit of $20,600 originally was shown for navigation.

21. *Other benefits.*—Other benefits will be obtained incidental to operation of the project for its primary purposes. Sewage treatment costs at Corvallis, Albany, Salem, and other cities downstream from Cougar Dam will be reduced by approximately $41,000 annually as a result of increased streamflows during the low-water season. Several cities in the Willamette Valley, and particularly Eugene, eventually will require additional sources of water. Cougar Reservoir will be a logical source of additional supply for domestic water for the city of Eugene. The value of this water has been placed at $100,600 annually, based on the cost of alternate sources. Also, the project will afford unevaluated benefits from public use of the reservoir area for recreation, even though no separate facilities are provided for that purpose.

22. *Summary of average annual benefits.*—Total average annual benefits creditable to Cougar Reservoir amount to $3,006,300 and are summarized as follows:

Item		*Amount*
Flood control		$1,873,500
Damage reduction	$1,704,000	
Increased land use	105,500	
Drainage	64,000	
Irrigation		301,000
Navigation		(1)
Pollution abatement		41,000
Domestic water supply		100,600
Downstream power		26,400
Power at site		663,800
Total		3,006,300

[1] Not evaluated.

Prices are as of the third quarter of 1953, developments are forecast to 1975.

23. *Economic analysis.*—The average annual cost of the project is estimated to be $1,668,000. With average annual benefits of $3,006,300, the benefit-to-cost ratio will be about 1.8 to 1. Benefit-to-cost ratios for flood control, irrigation, and power (the functions to which costs are allocated) are all in excess of 1 to 1.

24. *Preliminary allocation and apportionment of costs and charges.*—On the basis of a cost allocation by the separable costs-remaining benefits method, the construction costs payable by the United States for functions other than power at site were determined to be $26,877,000 out of the total of $37,400,000. Of the total allocation to functions other than power at site, more than $21 million would be allocated to flood control, which is indicative of its importance as the major project function. Based on the cost allocation, an apportionment was made between costs to be paid directly by a non-Federal agency for construction and operation of the power facilities which are not an inseparable part of the dam; those to be paid initially by the United States but reimbursed by the agency; and the remaining costs to be paid by and chargeable to the United States. The second category consists of the cost of power facilities constructed by the United States as an inseparable part of the dam, and that part of the cost of joint facilities which is allocated to power. The third category includes costs allocated to irrigation, which would be repaid by the users in accordance with reclamation law.

25. *Partnership.*—On the basis that Cougar Dam may be constructed under a partnership arrangement with the Eugene Water and Electric Board, consideration has been given to the manner in which the project could be constructed, operated, and maintained to the best advantage of all concerned. Information as to tentative agreements and understanding in that regard is contained in the following paragraphs.

26. *Items to be constructed by the United States.*—If Cougar Dam were constructed under a partnership agreement, it is tentatively proposed that the Government would clear the reservoir area and make necessary road relocations, and would construct the diversion tunnel; dam; spillway, including stilling basin; outlet tunnel and outlet works; and a short section of the power tunnel adjacent to the intake structure.

27. *Items to be constructed by the non-Federal agency.*—On the same basis, it is tentatively proposed that the non-Federal agency would excavate and line the remaining portion of the power tunnel and line the portion of the power tunnel excavated by the Government. The surge tank, if required, would be constructed by the non-Federal agency. It is further proposed that the non-Federal agency would do all excavation for the powerhouse and tailrace, construct and equip the powerhouse, and provide all facilities required for delivery of power generated at the project. Also, site grading, fencing, and landscaping in the area downstream from the base of the dam would be the responsibility of the non-Federal agency.

28. *Items to be maintained by Federal and non-Federal agencies, and distribution of costs.*—It is proposed that the non-Federal agency will actually maintain all facilities included in the previous paragraph and, in addition, maintain

the access road from the relocated timber access road, which will be provided incidental to project construction, to the powerhouse. The Federal Government would accomplish all other maintenance and operation. That portion of the cost of maintenance and operation performed by the Federal Government but allocable to power would be paid by the non-Federal agency. The cost to be so paid would be determined on the basis of that portion of joint construction or investment cost allocated to power.

29. *Non-Federal power development.*—The power installation described herein, upon which cost estimates and allocations are based, is that which would most readily adapt Cougar project to operation as a part of the Federal power network. The power installation actually constructed by a non-Federal partner might be different from that described, as the needs of the particular system into which the plant was to be integrated would be the determining factor.

30. *Tentative understanding regarding storage and release of water.*—In discussions with the Eugene Water and Electric Board, an understanding has been reached as to the general manner in which the project will be operated to satisfy the needs of all concerned. It is understood that the Federal Government will make the final determination as to operation of the pool within the broad limits of the agreement. Insofar as possible, the Eugene Water and Electric Board will be allowed to operate to their best advantage so long as no detriment to other functions is involved. It is further understood that, insofar as flood-control and conservation uses are concerned, the project will be operated in coordination with other Willamette Basin projects in the interest of the Willamette Basin.

31. During the major flood season, from December 1 to January 31, a flood-control storage reservation of from 125,000 to 155,000 acre-feet will be held available, as contemplated in House Document 531. Filling for conservation use during the low-water season will be accomplished in the spring as flood potentials reduce, beginning on February 1 and ending on about May 10. The only variation from the House Document 531 plan would be that if, in the interest of power generation, the prescribed amount of irrigation water were not stored during the filling season, and if a shortage of irrigation water supply should be occasioned thereby, additional irrigation water up to a total of 65,000 acre-feet would have to be provided by release of storage normally reserved for power production. During the conservation release season, May 11 through November 30, stored water would be released as needed and in accordance with Federal acts and the water laws of the State of Oregon. Releases will in all cases be such as to provide storage space at least in proportion to the increase in flood potential between September 1 and November 30. Releases from February 1 to July 1 would be not less than 300 cubic feet per second, and releases from July 1 to November 30 would be not less than 200 cubic feet per second.

32. Project operation involving storage and release of water as outlined in the preceding paragraphs will insure realization of project benefits substantially as contemplated in House Document 531. In the interim until additional storage reservoirs were provided in McKenzie River Basin, however, larger irrigation benefits and proportionately smaller navigation benefits might accrue, dependent on the actual needs for irrigation.

33. *Conclusions.*—Cougar Dam and Resevoir project, in which the Eugene Water and Electric Board has expressed desire to participate, is basically a flood-control project. It is a highly feasible and badly needed multiple-purpose unit of the overall comprehensive project for Willamette River Basin. Local interests, particularly those in McKenzie River Basin, are strongly desirous of receiving the flood-control and conservation benefits which the project will create. As McKenzie River is one of the two remaining major flood-producing tributaries on which no multiple-purpose reservoirs have been constructed, as control of McKenzie River floods will benefit almost the entire length of Willamette Valley as well as McKenzie River Valley, and as conservation benefits would accrue to McKenzie and Willamette Valley areas downstream, construction of Cougar Dam should be given high priority. Power development, which is desirable and economically feasible as part of the multiple-purpose development, was recommended in 1948, prior to any consideration of partnership, and should be authorized to permit full utilization of the Cougar project in the interests of the area, region, and Nation. Tentative arrangements with the Eugene Water and Electric Board, as discussed herein, would permit development of the power potential without detriment to other interests which the project now is considered authorized to serve and would result in a lesser total cost to the Federal Government for complete development of the site.

TABLE 1.—*Summary of project cost, Cougar Dam and Reservoir*

Item	*Total cost*
Lands and damages	$25,000
Relocations	1,723,000
Reservoir and pool preparation	1,490,000
Dam and appurtenances	28,521,000
Fish and wildlife facilities	600,000
Powerhouse, switchyard, and equipment	4,185,000
Roads, railroads, and bridges	3,000
Buildings, grounds, and utilities	197,000
Permanent operating facilities	72,000
Construction facilities	584,000
Total project	37,400,000

TABLE 2.—*Summary of annual charges, Cougar Dam and Reservoir*

Item	*Amount*
Interest ($39,047,000 at 2½ percent)	$976,200
Amortization ($39,047,000 at 1.026 percent)	400,400
Operation, maintenance and replacements	[1] 291,400
Total annual charges	1,668,000

[1] Includes $1,400 for loss of taxes.

TABLE 3.—*Apportionment of construction and investment costs, Cougar Dam and Reservoir*

Item	Construction cost	Investment cost
1. Direct cost to a non-Federal agency for power facilities not constructed as part of dam	$6,010,000	$6,280,000
2. Federal power cost reimbursable by non-Federal agency:		
(a) Power facilities constructed as part of dam	4,088,000	4,270,000
(b) Cost of joint facilities allocated to power	425,000	436,000
Subtotal	4,513,000	4,706,000
Subtotal, non-Federal power cost	10,523,000	10,986,000
3. Remaining Federal cost	26,877,000	28,061,000
Total	37,400,000	39,047,000

TABLE 4.—*Apportionment of annual operation and maintenance charges, Cougar Dam and Reservoir*

Item	*Amount*
1. Direct cost to a non-Federal agency, operation and maintenance of power facilities	$123,300
2. Federal operation and maintenance cost reimbursable by non-Federal agency, annual operation and maintenance cost of joint facilities allocated to power	2,600
Subtotal, non-Federal operation and maintenance cost for power	125,900
3. Remaining Federal cost	165,500
Total for project operation and maintenance	291,400

Senator MORSE. I have not read it yet, and I certainly will.

Do you have any information in regard to the comparative power costs that will result from this dam in comparison with the power costs of Bonneville?

Colonel WHIPPLE. Yes, sir; I do. The power costs on the project we are now constructing in the Bonneville system, the new additions, the cheapest one we have under construction will be Chief Joseph, which produces power at about 1.6 mills per kilowatt-hour. This is high load factor power.

The dams of John Day and McNary will produce power in the vicinity of 2.6 to 2.8 mills, again at high load factors.

This dam will cost slightly over 4 mills per kilowatt-hour to produce.

While much cheaper than steam power, it is, relatively speaking in terms of kilowatt-hour costs, somewhat more expensive than the cheaper of the big projects that we have now under way.

The reason that the company finds it advantageous to use this power ties in with their estimate of what will be the cost of power production 10, 20, and 30 years in the future when the region will have exhausted its cheaper projects and go on to more expensive sources of energy, and also the fact that this power is immediately available to them with relatively small transmission costs, adjacent to their area and fitted with its high peaking capability to the market nearby. It is relatively high cost from the point of view of the Federal Government, but from the point of view of its immediate vicinity, it is still profitable to them as they will be prepared to testify when they come on.

Senator MORSE. No other questions now, Mr. Chairman.

Senator BUSH. Do you have any other questions, Senator Cordon?

Senator CORDON. No questions.

Senator BUSH. Thank you very much, Colonel Whipple.

Colonel WHIPPLE. Thank you very much.

Senator BUSH. We now may hear these other gentlemen.

Senator MORSE. This is Mr. Price, Mr. Taylor and Mr. Short.

Senator BUSH. Mr. Price, would you sit down over there, please, and present your views on this matter?

STATEMENT OF BYRON PRICE, ASSISTANT TO THE SUPERINTENDENT OF EUGENE WATER AND ELECTRIC BOARD

Mr. PRICE. With the permission of the committee, I can hand in these brochures which will explain this in more detail than I can explain. This has our planning and our reporting on the Cougar installation.

Senator BUSH. Without objection, the brochure will be received and distributed to all members of the Public Works Committee.

Senator MORSE. May we have an understanding that Mr. Price, Mr. Taylor, and Mr. Short will be privileged to file supplementary statements for the record as a part of their testimony in case they may not be able to present their full statement?

Senator BUSH. We will be glad to have such a statement from any and all of those three gentlemen.

Senator MORSE. One other procedural point, Mr. Chairman, and also the understanding between them and the committee that if, in our discussions on this matter, we desire further information from them, we will keep the record open, secure the information from them by sending the questions to them and they can reply by writing if it is not feasible to have them in person.

Senator BUSH. Within a reasonable time.

Senator MORSE. Yes.

Senator BUSH. Without objection, that will be understood.

Mr. Price, would you identify yourself?

Mr. PRICE. My name is Byron Price. I am assistant to the superintendent of the Eugene Water and Electric Board. Mr. Byron Taylor accompanies me as our engineer. Mr. Robert Short is the editorial assistant to the Eugene Water and Electric Board.

What was your time schedule, Senator?

Senator BUSH. I announced earlier that I have a very important committee meeting at 11 o'clock. I hope we can recess these hearings at that time. If it is necessary to extend it 5 or 10 minutes, I will do it. You are a long way from home and I want you to have every courtesy of the committee.

Senator MORSE. I wish some other Senator were here, and I would make the suggestion relative to that point that, unless the Chair objects, that we should follow this course of action, as long as we are taking a record, why not let these gentlemen complete their statement and see if Mr. Bassett can get some of our members of the committee while the gentleman complete their testimony.

Senator BUSH. We have already tried.

Senator MORSE. If the Chair doesn't think I would prejudice the Chair, as a matter of courtesy to my constituents I would be glad to keep the record open in the absence of the Chair.

Senator BUSH. I would be very glad if the Senator from Oregon would conduct the hearing when I have to leave for the purpose of completing the record.

Senator MORSE. So that these gentlemen could complete their testimony.

Senator BUSH. I would be grateful to you if you would like to do that. I did not want to ask you because I did not know if you want to do that.

Under those circumstances, we can have the testimony of these gentlemen and at the conclusion of their testimony, we will recess the hearing.

Senator MORSE. Yes, sir.

Senator BUSH. Will you proceed, Mr. Price.

Mr. PRICE. I will sketch very briefly for the benefit of the Chair the principal reasons why we feel that this Cougar Dam and its development is the logical step for the Eugene Water and Electric Board.

The first thing and one of the most important is that this project does give us seasonal storage and peaking capabilities on our system, which is vitally needed to give us the type of power we need to supplement our existing plants.

We have two hydroelectric plants at Leaburg and Walterville, located on the McKenzie River.

These run-of-the-river plants are very low cost producing energy stations but they are nonpeaking.

We find also that having this project on the McKenzie that we can utilize existing transmission lines and proposed transmission lines to other projects in this same region. This is a very material savings to us which would otherwise be duplicated if any other body such as the Federal Government should come in and develop this project.

Flood-control benefits in the lower reach and in the immediate area of Eugene are of benefit to that community and we are anxious to participate in any way we can to accelerate the construction of

this project and, as previously testified, actually start the annual savings in excess of $1 million in flood-control damages in that area.

The transmission lines that would come from this project go right through our service area and we can use them for future delivery and thereby save materially in additional transmission and distribution costs to serve that area.

The Cougar plant is particularly and easily adaptable to the Eugene Water and Electric Board load curve in that we require this peak capability and certainly this high head dam gives us this opportunity.

The operation and maintenance of the project can be easily worked out to fit into the Eugene Water and Electric Board plans and with the existing plants. We plan this Cougar Dam to be operated by supervisory control from one of our existing stations, and we have our maintenance and operations forces already in the area.

Some mention was made about the cost of the power to the Eugene Water and Electric Board in the development of this project. We find that on the present estimates of the cost of this project, and the present tentative allocation of cost, that the Eugene Water and Electric Board can produce power at this project for approximately $15 per kilowatt-year. That compares very favorably with the present Bonneville power administration rate of $17.50 per kilowatt-year.

The cost of energy produced on a kilowatt-hour basis——

Senator MORSE. I don't know what the facts are, but I understand that Sam Moment, on Tuesday in the House, stated that Cougar prime kilowatt costs per year would be $39. Now, if there is a difference between prime kilowatt and the power that you are speaking of as $15, or are you using the same ratio?

Mr. PRICE. It is a different measure completely. This measure we are using is based on a capacity of 39 megawatts, which is the 39,000 kilowatts that can be produced in this project. We, of course, divide that into the annual cost of our operations and by dividing that 39, which is the peaking capability, the 40-percent load factor power that we expect to produce at this plant comes to the $15 per kilowatt year.

The other figure you gave could be on a prime capability of something less than 25 megowatts as indicated by the Army. It is a matter of arithmetic.

Senator MORSE. That is what I thought. I understand that he also testified that $17.50 per year is the average Bonneville Power Administration wholesale rate for peaking power that is available at certain times of the day. It is reported that prime kilowatt costs of the Bonneville would be below $25 per kilowatt as compared to about $39 for the Cougar Dam power. Do you think he is mistaken in that?

Senator BUSH. I yield the Chair to you at this time, Senator Morse.

Senator MORSE. Thank you, Senator.

Understand I have not read Mr. Sam Moment's testimony. I received this information because of the hearing this morning and I thought at least I should get it into the record and we will check it and see how accurate it is.

Mr. PRICE. I believe it is on a completely different basis. It is a matter of artithmetic based on how much it costs to operate the plant per year and what is its peaking capacity. Well, our division is 39,000 kilowatts and dividing 39,000 into our annual cost, we get this $15 figure. I am sure that we can manipulate those figures in any way you wish, depending upon how you determine the size of the plants

you want to install. This was tailored to the Eugene Water and Electric Board requirements so that it has the maximum benefit to the Eugene system.

Senator MORSE. What is important is that we get this statement in the record, and if there is any conflicting testimony presented, we will submit the conflict to you and get your comment on it.

Mr. PRICE. I appreciate any questions you have that would clear up the facts.

Senator MORSE. I don't know enough about it as yet.

Mr. PRICE. We also find that the cost of energy on a kilowatt-hour basis would be approximately 3.7 mills.

Colonel Whipple previously testified that it would be approximately 4 mills. The difference in that is explained by the addition by ourselves of the Strube reregulating powerplant, which would produce some 12 milion kilowatt-hours per year and thereby reduce the overall cost per kilowatt-hour because it does not increase the cost of operation that much.

It is a net result of 3.7 mills, which is our expected cost of energy from that project.

To get that a little more clear on how we are now buying power from the Bonneville Power Administration, we find under the rate applicable to ourselves that 40 percent load factor power, similar capability peaking power, is at a rate of approximately 5 mills. We find that we have a daily load factor on our system of about 52 percent.

Using the Bonneville rate that is applicable to ourselves in that instance, that cost of power would be approximately 4½ mills. Our annual load factor is a bit higher, slightly in excess of 60 percent, and using the same rate again, I would find approximately 3.9 or 4 mill power available to us from the Bonneville system.

But comparing directly the value that the Eugene Water and Electric Board would receive from this project, we would compare the 5 mills to the 3.7 mills.

Senator CORDON. I understand from your statements that the figures you are using are figures that are peculiarly adaptable to a single given situation, namely, the Eugene Water and Electric Board's present customer demands.

Mr. PRICE. Present, and, of course, we then have projected it into the future for economic reasons. That is right.

Senator CORDON. A different situation with reference to the use on the demand call upon the power conceivably could produce widely fluctuating cost figures.

Mr. PRICE. If that difference in its use would result in a different installation of power facilities, that is right. It would depend entirely on the installation and the method of its operation and the integration into the system into which it would work.

Senator CORDON. Do I understand that your present installation of 2 run-of-the-river hydroelectric plants and 1 steam plant to which you propose to add 2 more hydroelectric plants, that the type of generation resulting from this combination of generating capabilities itself is a factor in the value to you of this additional power?

Mr. PRICE. Definitely that is right.

Senator CORDON. You left me with your first few words and I do not think I will ever catch up.

Mr. PRICE. A brief explanation of our existing electrical utility might be of interest.

We have at Walterville a hydroelectric plant located about 16 miles east of Eugene. This plant has an installed capability of 9,000 kilowatts. This plant was rebuilt in 1949 and therefore is in excellent condition.

The Leaburg plant, located 22 miles east of Eugene, is also a hydroelectric plant, a run-of-the-river plant. It has units which were installed in 1930 and 1950. It has an installed capacity of 15,000 kilowatts.

The Eugene steam plant, located right in the city of Eugene, has 3 units, installed in 1931, 1942, and 1950, adding to a total of 32,000 kilowatts of steam capacity, giving a total of 56,000 kilowatts of installed capacity at the present time.

In addition to that installed capacity, we presently have a contract with the Bonneville Power Administration for 5,000 kilowatts of firm power, plus additional dump or steam-replacement power which is given to us through the benefits of having a steam plant available to the Bonneville or Northwest system through the point of tie or integration through that Northwest system.

The Eugene Water and Electric Board is in the Northwest grid and is operated as such. Our steam plant has a standby coal reserve of 60 days' duration, which is held specifically for the benefit of the Northwest power pool, and thereby entitles us to the advantageous rate of 2¼ mills on the steam-replacement power.

In building Cougar and tying it into the Eugene system, it is building our plant into the Northwest power grid. It is doing it with local participation and with local control and operation.

It is, of course, on demand and on call of the entire Northwest system.

Now, with respect to the Eugene Water and Electric Board, for the committee's information and to establish an indication of its present financial stability, is that at its inception in 1911 it started with an initial investment of $300,000. The total assets have now grown to $23 million in 1953. The outstanding indebtedness of the Eugene Water and Electric Board at the present time is approximately $2,500,000. This is principally against the new water filtration plant constructed in the past few years.

The electric system has an outstanding debt as of the 1st of January of $765,000. The latest bond retirement date for that electric system debt is 1959.

On January 1 the Eugene Water and Electric Board had on hand in their sinking fund for this bond retirement the amount of $229,000.

An average interest rate that was paid on this outstanding indebtedness computes to be 2.05 percent. This particularly favorable rate is partially due to the fact that the present bonds are in fact general obligation bonds, but never in the history of the Eugene Water and Electric Board has it resorted or had to fall back on any tax base financing.

The Eugene Water and Electric Board, of course, is very proud of this. It is particularly proud of having a system as well operated and as economically sound, as financially sound, as this one, and the investment bankers with whom we have discussed this problem of

financing have been very enthusiastic in stating that they would expect this project or this financial requirement or the bond issue to sell for a little less than 3 percent. And that would be on a revenue bond basis. There would be no additional burden to the present tax base of Eugene.

The Eugene Water and Electric Board in its operations operates independently of the other city administration. The Eugene Water and Electric Board consists of 5 members, who are elected from that city for 5-year terms, and these members, of course, have been civic and business leaders of the community and serve without compensation.

The policy of the Eugene Water and Electric Board is to sell electric energy to people in that area at the lowest possible rate consistent with good service and sound financing.

The average annual rate for power sold during 1953 was 1.14 cents per kilowatt-hour.

It is a very favorable rate, especially in view of the fact that it is largely domestic and light industrial.

The operating agreement which is proposed to be authorized by this legislation has been tentatively worked out with the Corps of Engineers. It takes into consideration the basic seasonal reservoir regulation plan that would be accessible to the Corps of Engineers in the accomplishment of the overall basin plan for flood control.

In this installation there is 155,000 acre-feet for flood-control storage, of which 65,000 acre-feet is earmarked for irrigation.

There are other incidental benefits from these controlled releases, such as pollution abatement, recreation, fishing, wildlife, domestic water supply, and, in the lower regions, navigation.

Senator Cordon covered the explanation of the purpose of the bill in stating that the Eugene Water and Electric Board would participate in the construction of the main dam and would construct, own, and operate the power-generating facilities and power appurtenances in the reregulating dam and the transmission lines and their appurtenances.

Because the transmission lines would be constructed by the Eugene Water and Electric Board, there would be an additional savings to the Federal investment of approximately $1,300,000 that would be otherwise expended by the Bonneville Power Administration in constructing the transmission line to the Alvey substation.

That estimate is the Eugene Water and Electric Board estimate, but we feel it is conservative and one which would be very close to the actual cost of that line.

This line, of course, if built by other than the Eugene Water and Electric Board, would be approximately 50 percent duplication of existing facilities.

The $1,300,000 savings to the Federal Government in this participation for this transmission-line cost would increase the Eugene Water and Electric Board participation to approximately $13 million in the overall cost of the project.

It would further increase the $37,400,000 estimate for the project cost to a new total of $38,700,000 if it were federally constructed, completely federally constructed.

Senator Cordon. I had a question on a different subject and I think the record ought to indicate something with respect to whether you

have a legal opinion as to the power of the Eugene Water and Electric Board to enter into this type of contract proposed in the bill.

Mr. PRICE. We have a staff legal opinion on that, that is our attorney who is retained by the Eugene Water and Electric Board.

In addition, we have an opinion of legal counsel that would indicate the right of the city of Eugene to extend its facilities and plants outside the city limits. We do have those opinions, yes, sir.

Senator CORDON. With respect to the latter, your plans contemplate servicing an area outside your corporate limits?

Mr. PRICE. That is right, our present service area encompasses approximately 50 square miles. It serves a population of approximately 65,000 people through approximately 23,000 customer connections at the present time.

Senator MORSE. I will ask you your fair opinion, although you are under no obligation to do so, but you might want to volunteer this information because these legal opinions to your board are privileged to you and they might be helpful in case any question is raised.

Mr. PRICE. I will discuss that with the Eugene Water and Electric Board upon my return.

Senator MORSE. Is there anything further?

Mr. PRICE. Unless they are some questions by yourself, Senator.

Senator MORSE. If we have any questions on your testimony, we will submit them to you in writing.

I want to thank you very much, Mr. Price, for cooperating with the committee and getting your statement on record today.

Mr. Taylor, would you like to make a statement?

STATEMENT OF BYRON K. TAYLOR, ENGINEER, EUGENE WATER AND ELECTRIC BOARD

Mr. TAYLOR. I would like to clear up the point that you had, Senator Morse, the figure of $39 for prime power would appear, from a quick computation here, to be probably very nearly correct. Mr. Price's statement that $15 or thereabouts, would be the cost for firm power, I believe, is also correct.

The difference is in terminology. Prime power is the average potential throughout the year. That is, using that as an absolutely uniform rate throughout the year, which is not the way electricity is used, as you well know.

"Firm" refers to power actually usable and salable within the load curve. In this case, the prime is about 15,000 kilowatts. Our proposed installation of 39,000 kilowatts would be firm, usable, salable.

Senator MORSE. Is there anything further, Mr. Taylor?

Mr. TAYLOR. No, sir.

Senator MORSE. Does Mr. Short have a statement?

Mr. ROBERT SHORT. No, sir.

Mr. PRICE. We have with us Mr. Ivan E. Oakes, executive secretary of the Willamette River Basin Commission. He will not be here at a later date.

Senator MORSE. It will be a pleasure to hear you, Mr. Oakes.

STATEMENT OF IVAN E. OAKES, EXECUTIVE SECRETARY, WILLAMETTE RIVER BASIN COMMITTEE

Mr. OAKES. I live in Salem, Oreg. The time is short and I will not try to go into this very much.

My duties call me all over the Willamette Basin. I have yet to find anyone in the Willamette Basin who has any objection to this particular project.

The governmental and various administrative officers of the State all thought it was a good project and should be built.

Now, just a word about the flood control. The project is now to the stage where we have at least partial control on the main stem of the Willamette, plus four of the present tributaries. This leaves two tributaries that we do not now have any control over.

One is the McKenzie River on which this project is located, and the other is the South Santiam on which the Green Peter project is located.

We are very badly in need of some control on these two streams.

That is all I have to say.

Senator MORSE. There is a danger, is there not, that the present cutting of the McKenzie River increases the fear of the community that it might some of these days cut a channel that would wipe out a part of Springfield, Oreg., as well as do damage within the borders of Eugene?

Mr. OAKES. That is correct. The delta between the McKenzie River and the Willamette is a very rich area. The assessed valuation in 1942 is something over $40 million and the bed of the Willamette River is a little bit lower than the bed of the McKenzie River at these two points.

Consequently, when we lower the Willamette River through the completion of the Lookout Point Dam, we create a danger of very heavy scouring by the McKenzie if it should go over its banks and come toward the Willamette River.

Senator MORSE. In other words, there seems to be presently pretty clear engineering experience that the activity of the Federal Government through the Army engineers in developing flood control on the Willamette, successful as it is on the Willamette, is, in fact, creating a flood peril on the McKenzie.

Mr. OAKES. Of course, you would have to take into consideration the total Willamette project and the proposition was to build this as fast as possible, and McKenzie is a unit of the full project.

Senator MORSE. I understand that, but my question goes to the matter as to whether or not the development of the flood-control facilities of the Willamette will not produce a flood peril on the McKenzie unless we go forward with the flood-control project on the McKenzie?

Mr. OAKES. That is correct.

Senator MORSE. So that we are confronted with the situation in which we do a good job on the Willamette in that we have helped our flood problems on the Willamette, but if we stop short there and do nothing on the McKenzie we really, through a flood-control program on one river, create the intensified flood problems on another river.

Is not that the finding of the engineers in the testimony that has gone before on this McKenzie flood-control need?

Mr. OAKES. That is correct.

Senator MORSE. Is there anything else?

Mr. OAKES. No, sir.

Senator MORSE. Well, gentlemen, I appreciate your cooperation in helping us get this record.

We will now recess, subject to the call of the chairman of the committee, and you will be notified as to further proceedings on the bill.

(Whereupon, at 11:26 a. m., the subcommittee adjourned, subject to the call of the Chair.)

(Agency reports and other communications received are as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., April 21, 1954.

Hon. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in response to your letter of February 10, 1954, requesting the views of the Bureau of the Budget on S. 2920, a bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

Enactment of this bill would provide a basis for cooperative Federal and local participation in the development of water resources, and would thus be a step toward implementation of the policies of this administration which call for more local participation in this field. The Bureau of the Budget favors enactment of S. 2920.

Section 4 of the bill would provide that the allocation of cost of the project to power be made in accordance with the separable-cost-remaining benefit method of cost allocation or by such other method as may be mutually agreed upon by the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission. Should this bill be enacted it would be the first time a particular method of allocating costs has been written into legislation authorizing a project. From the estimates of allocations understood to be proposed for this project it appears that an equitable distribution is contemplated. We are now reviewing the various methods used in making cost allocations on water-resources projects for the purpose of attempting to devise a more uniform approach on the part of the various Federal agencies to this problem. Therefore, while we have no objection to section 4 of this particular bill, we would not wish this to be construed as an endorsement of the separable-cost-remaining benefits method for uniform application to future water resources projects.

Sincerely yours,

ROWLAND HUGHES, *Director.*

DEPARTMENT OF THE ARMY,
April 26, 1954.

Hon. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of the Department of the Army concerning S. 2920, 83d Congress, a bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

The Department of the Army has considered the above-mentioned bill. The purpose of the bill is to modify the comprehensive plan of improvement for the Willamette River Basin as authorized by the act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented, to provide for the development of the Cougar Dam and Reservoir in accordance with plans contained in House Document 531, 83d Congress, and further to authorize the inclusion of power facilities which may be provided by the city of Eugene, Oreg. The dam and reservoir would be constructed, operated, and maintained by the Department of the Army as a unit of the comprehensive plan for the Willamette River Basin for flood control, navigation, power, conservation and other beneficial uses.

Construction of the power-generating facilities and appurtenances by the city of Eugene or by the Corps of Engineers as agent for and with funds provided by the city would be authorized, the construction to be in accordance with provisions of a license to be issued by the Federal Power Commission. The bill also provides for operation and maintenance of the power facilities and appurtenances by the city of Eugene at its own cost and expense, and for payment by the city of such share of the cost of constructing, operating, and maintaining the dam and reservoir as may be appropriately allocated to power development. Operation of the dam and reservoir insofar as such operation affects the development of power, the contribution of funds by the city, and other matters of joint concern would be implemented by agreement between the city of Eugene and the Chief of Engineers.

The site of the Cougar Dam is on the South Fork McKenzie River, Oreg., about 44 miles north and east of Eugene, Oreg. The Cougar Dam and Reservoir is one unit of the comprehensive plan of improvement for the Willamette River Basin, Oreg., as authorized by the act of Congress approved June 28, 1938, as amended and supplemented. The present authorization for the Cougar project provides for the primary functions of flood control, navigation, and irrigation as well as other beneficial uses, however it does not provide for the inclusion of power generating facilities other than minimum facilities for possible future use.

The presently authorized project has a high degree of economic feasibility, and its immediate construction is well justified. The inclusion of power generating facilities in the Cougar project is also economically justified and is a desirable addition from the standpoint of achieving maximum control and utilization of the water resources of the river basin. In addition to the increment of cost required to provide generating facilities, power would also carry a share of the joint costs of the overall project and its inclusion would reduce the cost necessary to provide for the other uses.

The provision of S. 2920 provide a satisfactory basis for cooperative development of the project, and this Department favors the enactment of the bill into law.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

FEDERAL POWER COMMISSION,
Washington, April 26, 1954.

HON. EDWARD MARTIN,
Chairman, Committee on Public Works,
United States Senate, Washington, D. C.

DEAR MR. CHAIRMAN: In response to your request there are enclosed 3 copies of the report of the Federal Power Commission on the bill S. 2920, 83d Congress, to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

We have just been advised that there is no objection by the Bureau of the Budget to the presentation of this report to the Committee on Public Works.

Sincerely yours,

JEROME K. KUYKENDALL, *Chairman.*

FEDERAL POWER COMMISSION REPORT OF S. 2920, 83D CONGRESS

This bill, S. 2920 would modify the comprehensive plan of improvement for the Willamette River Basin, Oreg., as authorized by the 1938 Flood Control Act (Public Law No. 761, 75th Cong., 52 Stat. 1215), as amended and supplemented by subsequent acts of Congress, to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir multiple-purpose project on the South Fork McKenzie River by the Department of the Army as a unit of such plan in accordance with House Document 531, 81st Congress. It would further modify the plan to include power facilities at the Cougar Dam which may be provided by the city of Eugene, Oreg., in accordance with the Federal Power Act and this bill.

The bill authorizes the appropriation of funds for the construction, operation, and maintenance of the Cougar Dam and Reservoir by the Department of the Army for flood control, navigation, power, and other purposes as a unit of the comprehensive plan for the Willamette River Basin, and provides that the dam and reservoir shall remain the property of the Federal Government. It is further provided that the Army shall enter into a contract with the city of Eugene for the operation of the dam and reservoir insofar as power development would be affected, and for the payment by the city to the Army of the portion of the cost of construction, operation, and maintenance of the dam and reservoir allocated to power by the Army in collaboration with the Federal Power Commission.

S. 2920 contemplates that the power-generating and appurtenant facilities be constructed by the city or by the Army with city funds and owned by the city. Such construction, operation, and maintenance would be undertaken in accordance with a Commission license and the provisions of the bill.

Section 4 provides that the costs allocated to power shall be in accordance with the separable-cost-remaining-benefits method (the so-called Green Book method), or by such other method mutually agreeable to the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission. Thus, if this bill becomes law the Green Book method of cost allocation would be given legislative sanction. This method, which was recommended by the Federal Interagency River Basin Subcommittee on Benefits and Costs in its May 1950 report, has been supported by the Commission in statements to the Bureau of the Budget and to Congress and is considered to be a desirable method of cost allocation. It was used recently by the Commission in its order determining the interim allocation of costs of the McNary project (docket No. E–6383), issued December 4, 1953.

The Commission recommends enactment of S. 2920 as an effective and desirable means of accomplishing joint Federal and non-Federal water-resource development consistently with the basic purpose of the Federal Power Act to provide for non-Federal development of such water resources wherever broad public benefits can be obtained in harmony with comprehensive water-development plans.

By JEROME K. KUYKENDALL, *Chairman.*
FEDERAL POWER COMMISSION.

EUGENE WATER AND ELECTRIC BOARD,
June 12, 1954.

Subject: Cougar Dam Partnership, S. 2920.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.

DEAR SENATOR CORDON: In view of the difficulties which we understand you are encountering with the acceptance of bill S. 2920 authorizing the Cougar project, I am calling your attention to some points which may be useful to you in your presentation.

The Cougar project has been criticized as being too expensive in comparison with the cost of purchased power from the Bonneville Power Administration. The Eugene Water and Electric Board staff and our consultants have made detailed estimates which indicate this to be very definitely not true.

On the kilowatt-year basis, which is the rate ordinarily spoken of in connection with Northwest power costs, the present Boneville rate is $17.50 for prime power which is available every hour of the year. We do not need this type of power in our present system. Our base load is cared for by our present hydroelectric plants at a cost considerably less than $17.50, delivered to the load center. The Cougar project will provide firm power as required at the hours and during the days as demanded by our customers at slightly less than $15 per kilowatt-year. This is not actually the same service as delivered by Bonneville, but it fulfills our system requirements equally as well. Part of the prime power that would be purchased from Bonneville would not be utilized in our system.

On the kilowatt-hour, or energy, basis, the comparison is as follows:

In the median water-year Cougar and Strube would generate firm energy at 3.7 mill per kilowatt-hour, delivered at the load center, and on a 47-percent annual load factor. Firm energy purchased from Bonneville on a 47-percent load factor, and at the present "C" or $17.50 rate, would cost 4.2 mills per kilowatt-hour, or a half mill more than that produced from Cougar.

Both sets of figures given above, however, are not conclusive. They can be warped, if not explained, to tell only halftruths. The real criteria is in a comparison of the overall costs of supplying the total requirements of our system either through purchase, generation, or a combination of both. Based on present BPA rates the construction of Cougar by the board would save the community approximately $75,000 per year as compared to the cost of purchasing all our additional power requirements from Bonneville. This figure is the result of detailed studies of the use of the output of Cougar in our present system. It was based on estimates by our own engineers, two firms of consulting engineers, and backed up by estimates of construction costs made by a nationally known contractor.

Objections to our participation have been raised on the ground that our operation of Cougar would have a detrimental effect on the Northwest Power Pool. We believe the contrary to be the case. If we do not build Cougar, we, as a preferred customer, could draw our requirements from the Federal system for several years. If we do build Cougar, the equivalent of its capacity would remain in the pool and hence be available to other customers. We have had a connection with the BPA system for several years and will maintain it, and any surplus from Cougar or other plants, including steam, will be available to any customer over BPA lines, as it has been in the past.

For your information, the following description of our present system is given, together with the proposed method of operation of Cougar in addition to this system. Our peak load reached 58,000 kilowatts in January of this year. The total energy generated and purchased during 1953 totaled 281 million kilowatt-hours. Over the past 10 years our growth has been at a rate of approximately 10 percent a year. At present we have two hydroplants on the McKenzie River, Waterville with 9,000 kilowatts installed, almost all of which is firm, and Leaburg with 14,800 kilowatts installed, about 6,000 kilowatts of which is firm. We also have a steam plant consisting of three turbogenerator units with a total capacity of approximately 32,000 kilowatts all of which is, of course, firm. Relatively low-cost wood waste is ordinarily used for fuel in the steam plant. When it is not available either oil or coal may be used at a cost of about three times that of wood. This plant ordinarily carries only a small load for voltage control and to maintain spinning reserve. In addition to its firm capacity in emergencies, its availability allows us to buy 2.5 mills per kilowatt-hour steam replacement or "dump" energy from Bonneville. As mentioned above, we have a connection with Bonneville and buy both firm power on contract and also "dump" energy from them.

The Cougar project, as we plan to operate it, would supply power in the upper part of the daily load curve, or peaking power. It would generate varying amounts to meet the system requirements during a period of 12 to 18 hours per day. It would have a low output during the spring while the reservoir was being filled and while other plant capacities are high and the loads are low. It would have a high output in the fall and winter when loads are high. It would also augment downstream summer flows and hence the firm output of the plants at Leaburg, Walterville, and Oregon City. The stored water would be usable for irrigation and other downstream uses.

On the basis of existing ad estimated cost levels the Cougar project warrants our participation as outlined in Senate bill 2920.

Very truly yours,

EUGENE WATER AND ELECTRIC BOARD,
By R. B. BOALS,
General Superintendent-Secretary.

[Telegram]

JUNE 14, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

The Eugene City Council strongly supports the partnership plan for the construction of the Cougar Dam project as embodied in H. R. 7815 and S. 2920. The power and flood control which this project will provide are vitally and urgently needed by the Eugene community. The partnership plan through which the city of Eugene will share in the costs and benefits of the project if fair and equitable and will assure early construction of the project. This legislation commends the support of all members of the Senate. Any delay in the passage

of the Cougar legislation will act to the detriment of the people of the Eugene community. The Eugene City Council appreciates the support you have given this measure and urges its early enactment into law.

EUGENE CITY COUNCIL
ROBERT FINLAYSON, *City Manager.*

JUNE 15, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

DEAR SENATOR CORDON: The Pacific Northwest Utilities Conference Committee, the policy and management arm of the west group of the Northwest Power Pool, strongly endorses the construction of the Cougar Dam project under the provisions set forth in S. 2920.

The Cougar project is a resource development which will be beneficial not only to the Eugene, Oreg., community but also will benefit the entire Northwest.

The operation of its powerplant by the city of Eugene will not act to the detriment of the Northwest Power Pool, but will, in fact, benefit that system of interconnected utilities. Without the capacity of Cougar available to it, the city of Eugene would draw its requirements from the Federal system in the Northwest. If the municipality obtains the output of Cougar, the equivalent of its capacity would remain in the pool available to other utilities. In addition, all surplus from the Eugene system would, as in the past, be available to any utility in the Northwest Power Pool.

Sincerely yours,

PACIFIC NORTHWEST UTILITIES
CONFERENCE COMMITTEE,
C. A. ERDAHL, *Chairman.*

[Telegram]

JUNE 16, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

The Oregon State Committee on Natural Resources passed the following resolution today: "We urge the passage of your bill to authorize Cougar Dam as it is a measure urgently needed for the conservation of the McKenzie watershed."

PAUL L. PATTERSON,
Governor and Chairman of Oregon State Committee on Natural Resources.

[Telegram]

Hon. GUY CORDON,
United States Senate Office Building:

Operation of Cougar powerplant by water board will have beneficial instead of detrimental effect on operation of Northwest Power Pool. The total output of all the plants in the Northwest goes into the pool and flows to the load regardless of location of load. Excess from Cougar would definitely be available to cooperatives if needed and desired by them.

L. W. TROMMLITZ,
President, Eugene Water & Electric Board.

[Telegram]

JUNE 17, 1954.

DUBROW,
Washington, D. C.:

Please convey the following message to Senator Cordon.

"The city of Eugene has informed us that they plan to use the output of Cougar Dam if constructed under the partnership proposal they have made to meet the normal load growth of their Eugene system. Since they do not intend to use the output of this dam to meet the requirements of new large industrial customers, the output of Cougar Dam will reduce the amount of Federal power

which the city would otherwise obtain from the Bonneville Power Administration. In the light of present estimates, this will aid the Federal system in meeting the requirements of the other power distributors in the Northwest and the requirements of existing industrial plants."

BONNEVILLE POWER ADMINISTRATION,
WM. A. PEARL, *Administrator.*

[Telegram]

JUNE 22, 1954.

Senator EDWARD MARTIN,
Senate Office Building:

Your statement in Congressional Record of June 17 opposing Eugene Water and Electric Board plans to construct and operate the power facilities in the Cougar project has been called to our attention. We wish to call your attention to the following facts concerning our participation in the Cougar project.

Extensive and comprehensive economic studies of the feasibility of adding power facilities to the Cougar flood-control dam were made by the water board staff and by expert outside consultants before we submitted the partnership proposal embodied in the present Cougar legislation. The outside consultants were: Cornell, Howland, Hayes & Merrifield, of Corvallis, Oreg.; Morrison Knudson contractors, of Boise, Idaho; the International Engineering Co., of San Francisco.

The proposed installed capacity of 39,000 kilowatts will be firm power in our system. Please note that firm power is distinguished from prime power. Prime power is available continuously. Cougar will supply firm power for approximately 10 hours per day. The operation of the project would be geared to the needs of irrigation, the maintenance of streamflow, and of the available water during the dry season. The powerplant could be shut down during weekends to conserve water if necessary.

We do not have definite preliminary estimates of the cost of power from Cougar. We have not yet supplied these figures to the Bonneville Power Administration. We have made definite arrangements to do this in the immediate future. The cost of firm energy from Cougar under water-board operation is estimated to be 3.7 mills per kilowatt-hour under present costs and plans. The cost to us of equivalent firm energy from the Bonneville Power Administration would be 4.2 mills per kilowatt-hour at present Bonneville rates.

Cougar project was recommended for construction by Corps of Engineers as a part of the integrated development of the Columbia Basin. Construction and operation of the power facilities by the Eugene Water and Electric Board would in no way adversely affect the integrated plan but would accelerate its progress.

Operation of space for flood control and release of water for downstream benefits would be under the direction of the Corps of Engineers in any case. Power generated would be a benefit to the entire area including the Northwest power pool. Regarding the operation of the Northwest power pool, Eugene's system is permanently connected to the pool, and the capacity of our municipal electric generating facilities would simply add to the supply available in the Northwest, if the power available to other utilities power which Eugene does not draw from the pool. The chairman of the Pacific Northwest Utilities Conference, to operating arm of the pool, has submitted a statement to Congress which emphatically says the operation of the Cougar powerplant by the Eugene Water and Electric Board would materially increase the effectiveness of the pool.

As of this date we have spent approximately $41,000 on this project. Our proposal has been submitted to Congress with the firm conviction that the construction and operation of the Cougar power facilities by the Eugene Power and Electric Board will in part meet the needs of this rapidly growing area and is sound from engineering, economic, and financial standpoints.

Copies of this telegram are being sent Senator Edward Martin, chairman of the Senate Public Works Committee, to Senator Cordon, other copies will be released locally.

EUGENE WATER AND ELECTRIC BOARD,
LIONEL W. TROMMLITZ, *President.*

[Telegram]

JUNE 17, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

Power generated at Cougar in excess of board's requirements will be available for any utility on Bonneville grid. This energy will be for sale at rates compatible with those under which power from Federal projects in Northwest is marketed. However, it should be understood that, Cougar being a multipurpose project, means the board will not have complete independence as to output of plants. We call attention to the fact that our existing hydroplants have fed 10 million kilowatt-hours of excess energy into the Federal system since January 1 of this year. Excess energy is and will continue to be available to any utility in Northwest pool. The board is a part of the pool. Our generation costs are not higher than those of the Federal system. Our capital investment in generation reduces investment costs by others. Resulting energy is equally available for Northwest loads.

EUGENE WATER AND ELECTRIC BOARD,
R. B. BOALS, *General Superintendent-Secretary.*

[Telegram]

JUNE 17, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

We wish to reemphasize a fact well known by all utility operating people that the construction of any additional generating capacity such as Cougar anywhere in the Northwest will add to power resources of entire region regardless of who owns or operates the facility. Power generated at any project is available to the transmission grid for use at point where it is needed. Supplying local needs from Cougar would lessen the power flow into this area from McNary, Coulee, and other Columbia River Dams, hence making that much more of their capacity available to other Northwest utilities. If a surplus exists at Cougar a flow of power could be put back into the transmission grid for use by distributors not having their own generation. Present water-board facilities have been available and useful to the pool and that policy would be continued.

EUGENE WATER AND ELECTRIC BOARD,
BYRON K. TAYLOR, *Chief Civil Engineer.*

[Telegram]

JUNE 11, 1954.

Senator GUY CORDON,
Washington, D. C.:

In our judgment the people of Lane County, including the recreation interest in the upper McKenzie, are overwhelming in favor of a development of Cougar Dam.

ROBERT D. MACLAY,
KENNETH NEILSON,
RALPH PETERSEN,
Board of County Commissioners.

[Telegram]

JUNE 3, 1954.

R. B. BOALS,
General Superintendent-Secretary,
Eugene Water and Electric Board,
Eugene, Oreg.:

Relative to the Cougar project the Cowlitz Public Utility District Board of Commissioners endorses the principles set forth in action of Eugene Water and Electric Board in developing their regional economy and therein securing an adequate supply of power to enhance their future growth.

EARL J. COLE,
President, Board of Commissioners, Public Utility District No. 1 of Cowlitz County, Wash.

[Telegram]

JUNE 11, 1954.

Senator GUY CORDON,
Senate Office Building, Washington, D. C.:

Directors of Benton County Chamber of Commerce fully endorse S. 2920 calling for planning funds for construction of Cougar Dam on McKenzie. Tremendous savings as result of increased flood control and additional power available plus savings to Federal Government on joint venture makes it attractive to people of mid-Willamette Valley. Chamber urges your continued fight on bill's behalf and hopes for passage this session in order to put these advantages into effect as soon as possible.

BILL C. CATLIN, *Manager.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

We reaffirm resolution passed without objection, Senator Morse member of this grange was in attendance and present at this meeting, said resolution urged immediate appropriation of funds for survey and planning of Cougar Dam on McKenzie River. Said planning to include cooperation of Eugene Water and Electric Board in installing power facilities. Power badly needed locally. Flood damage very extensive.

WILLAKENZIE GRANGE No. 498,
GEO. BIDWELL, *Master.*

[Telegram]

JUNE 16, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

Be it resolved this 15th day of June that Santa Clara Grange No. 746 goes on record as favoring immediate passage of Senate bill 2920. Construction of Cougar Dam urgently needed to control flood damage.

M. E. CARMICKLE, *Master.*
CLARA PRICE, *Secretary.*

[Telegram]

JUNE 14, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

The Junction City Grange reaffirms resolution sent House of Representatives endorsing H. R. 7815 and urges favorable action on Senate bill 2920 now before the Senate committee. Flood damage in Junction farm area from McKenzie River very great.

JUNCTION CITY GRANGE,
R. A. THOM, *Secretary.*

[Telegram]

JUNE 12, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

The Spencer Creek Grange assembled in their hall this 11th day of June 1954, urges passage of Senate bill 2920 regarding Cougar Dam on the McKenzie River in Oregon with local participation and financial aid of Eugene Water and Electric Board. Flood control and power are both badly needed at this time.

SPENCER CREEK GRANGE 855,
JUANITA M. NELSON, *Secretary.*
HARRY A. STAYNER, *Master.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

West Point Grange of Coburg confirms previous request for immediate favorable action on Cougar project with Eugene Water and Electric Board partnership for power. Flood damage in this area is now worse than before control of the Willamette River.

WEST POINT GRANGE,
HARRY HARBART, *Master.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.

Flood control on McKenzie River very urgent. Damage greater than ever. Also need of local power for domestic and defense needs. Urge immediate favorable action on Cougar Dam with Eugene Water and Electric Board participating.

LANE POMONA GRANGE,
By FRED G. KNOX,
Flood Committee Chairman.

[Telegram]

JUNE 15, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.

This is to advise you Walterville Grange 416 is still very much in favor of Eugene Water and Electric Board participation in the Cougar Dam project.

WALTERVILLE GRANGE NO. 416.

WALTERVILLE, OREG.

Senator GUY CORDON,
United States Senate, Washington, D. C.

DEAR MR. CORDON: This is to advise you that the Walterville Grange No. 416 is still unanimously for the Cougar Dam project; and for the Eugene Water and Electric Board participation.

Several members of this grange are owners of valuable properties adjoining the McKenzie River, they are well aware of the urgent need for flood control on the river, they are losing many acres of topsoil yearly.

McKenzie river property is valued at between $550 and $1,000 per acre, you can see why we are very concerned about this matter.

Mr. Harris Elsworth has many pictures in his possession of the McKenzie River while flooding; he also has pictures showing the debris and huge washouts, bank erosion, etc., the results of the flooding.

The river is swinging toward the State highway more every year, a gravel bar is building up on the opposite side of the river.

The Cougar Dam project is mainly a flood-control dam, power is secondary. Please give this every consideration, as time is of the essence.

Sincerely,

WALTERVILLE GRANGE NO. 416,
JAMES CAGE, *Grange Master.*
D. E. BENSON.
GUY G. STEPHENS.
ELMER BUYANT.
CLETA ZEHNER.
HARRIET STEPHENS.
MARGARET RAE JONES.

[Telegram]

JUNE 14, 1954.

SENATOR GUY CORDON,
Senate Office Building, Washington, D. C.:

The Eugene Fruit Growers Association have 1,693 members with sales of processed fruit and vegetables exceeding $8 million annually. The directors

of this association unanimously urge you to support the bill providing for Eugene Water & Electric Board partnership with Federal Government to develop the South Fork of the McKenzie River to be known as Cougar project. Because of flood conditions on the lowlands of the McKenzie from which this association receives produce amounting to over $4 million sales it is important that Congress take favorable action this session.

BOARD OF DIRECTORS, EUGENE FRUIT GROWERS ASSOCIATION,
E. I. PITKIN, *Secretary.*

[Telegram]

JUNE 14, 1954.

SENATOR GUY CORDON,
Senate Office Building, Washington, D. C.:

Please convey to chairman and members of Senate Public Works Committee sentiments of this body as concerns Cougar Dam bill. The Lane County Parks and Recreation Commission, urges favorable action on Cougar bill at earliest moment for following reasons: (1) Flood-control benefit of Cougar desperately needed to alleviate further extreme loss of agricultural lands with great monetary value. (2) Power potential of Cougar if fully utilized will render unnecessary proposed power developments in the upper main McKenzie River area from Belknap to Fish Lake thereby preserving Oregon's finest recreation area in its natural state for all citizens. A copy of this telegram being sent to Senator Wayne Morse.

Respectfully yours,

LANE COUNTY PARKS AND RECREATION COMMISSION,
ROY ELLIOTT, *Chairman.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

We reaffirm resolution passed unanimously March 29 requesting favorable action and appropriation of money for planning Cougar project in 1954. Also urge authorization of participation by Eugene Water & Electric Board.

LANE COUNTY IMPROVEMENT DISTRICT No. 1,
J. C. JAGER, *Chairman.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

Urge favorable report on S. B. 2920 re construction of Cougar Dam, Army engineers and local partnership. Flood damage on lower McKenzie very severe.

FERTILE DISTRICT IMPROVEMENT CO.,
WALDEMAR CHRISTENSEN, *Chairman.*

[Telegram]

JUNE 13, 1954.

Hon. GUY CORDON,
Senate Office Building, Washington, D. C.:

Flood conditions on lower McKenzie River more severe than ever since Willamette controlled by Willamette River Basin project. Power situation critical for both domestic and defense purposes. Urge immediate favorable action on S. B. 2920.

MCKENZIE RIVER IMPROVEMENT DISTRICT No. 1,
FRED G. KNOX, *Chairman.*

[Telegram]

JUNE 14, 1954.

GUY CORDON,
Senate Office Building, Washington, D. C.:

We respectively urge that you use all the influence you can with the public work subcommittee and all members of the Senate to pass the Cougar Dam bill. This is the project that Eugene Water Board has asked for a "partnership." In the construction we are very much in favor of this partnership bill.

Respectfully,

MCKENZIE RIVER PROTECTIVE & DEVELOPMENT ASSOCIATION.
DAYON C. THOMSON, *President.*

[Telegram]

JUNE 16, 1954.

Hon. GUY CORDON,
United States Senate, Washington, D. C.:

I am wiring in support of your Senate bill 2920 re Cougar Dam on the McKenzie River. The city of Junction City and farmers in this vicinity take a terrific beating from the floodwaters of the McKenzie. I have talked to lots of people here about this project and have not met a single objector.

CAREY L. STROME,
Mayor of City of Junction City.

[Telegram]

JUNE 14, 1954.

Senator GUY CORDON,
Senate Office Building:

The flood condition on the lower McKenzie River and on the Willamette where the two rivers join is critical enough that as early action as possible should be taken. We are farming in this flood area and are in favor of the legislation providing for the partnership between the Eugene Water & Electric Board and the Federal Government in developing the McKenzie at the site known as the Cougar Dam project. We urge you to put all possible effort to get Congress to act favorably this session.

WAYNE ENDICOTT.
NELSON WHITAKER.
EJNER HENTZE.
FRANK HARLOW.
ARTHUR QUACKENBUSH.
WILMER WALTON.

[Telegram]

JUNE 4, 1954.

RAY BOALS,
Eugene Water & Electric Board,
Eugene, Oreg.:

So far as we know we think a partnership program would work out very satisfactorily. However, we are in no position to judge what may be a satisfactory partnership program for you or some other utilities. In your case you should be the best judge.

P. C. SPOWART,
Assistant Superintendent, Seattle City Light.

OREGON STATE GRANGE,
Portland, Oreg., June 8, 1954.

Senator EDWARD MARTIN,
Senate Office Building, Washington, D. C.:

DEAR SENATOR MARTIN: Because of the fast-changing conditions in the Northwest and the many problems to be considered in setting up partnerships between the Government and private power agencies, as well as the Government and public power agencies, for the purpose of building and operating hydroelectric dams, the Oregon State Grange is asking that hearings be held on these ques-

tions both in Washington and in the field affected so that we may have a better understanding of what could happen under such partnership programs.

Each proposal so far advanced has a definite area advantage for the agency proposing such a partnership. The whole partnership idea is rather new, and since many different proposals are being made at this time, we feel the people of the Northwest should have more time to analyze the merits and demerits of the various proposals.

The Northwest has prospered as a unit under the comprehensive development plan that is operated under the Bonneville Act. Any change in this would certainly deprive some areas of the power that rightfully belongs to them. We are very much opposed to any action being taken on any of these proposals until a complete study has been made and all of the factors involved have been brought to light.

Sincerely yours,

ELMER MCCLURE, *Master.*

NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION,
Washington, D. C., May 26, 1954.

Hon. EDWARD MARTIN,
Chairman, Public Works Committee,
United States Senate, Washington, D. C.

DEAR SENATOR MARTIN: National Rural Electric Cooperative Association, on behalf of its 936 rural electric member systems throughout the United States, is requesting time before your committee to be heard on Senate bill 1793.

It is our understanding that H. R. 7815 is also before your committee. If hearings are being held concurrently on these two bills, we would like for our request to also cover H. R. 7815.

We would appreciate notification of the date of the hearings.

Thank you for your consideration in this matter.

Sincerely yours,

CHARLES J. FAIN, *Legislative Assistant.*

[Telegram]

JUNE 10, 1954.

Senator PRESCOTT BUSH,
Senate Office Building, Washington, D. C.:

The so-called partnership bills on Cougar, Green Peter, Priest Rapids, and John Day Dams are not acceptable to our membership. Hearing on all four should be held at the same time. We wish to testify against but finances will not permit attendance in Washington. We urge hearings be set for convenience of interested parties in this region.

J. T. MARR, *Executive Secretary.*
Oregon State Federation of Labor.

[Telegram]

JUNE 10, 1954.

Senator PRESCOTT BUSH,
Chairman, Subcommittee on Public Works,
United States Senate, Washington, D. C.:

Request one joint hearing for bills involving Priest Rapids, John Day Cougar, and similar dams in Northwest. Request said hearing be held in this region so that it may be possible for us to testify.

Master A. LARS NELSON,
Washington State Grange.

CORNELL, HOWLAND, HAYES & MERRYFIELD,
Corvallis, Oreg., July 1, 1954.

Hon. EDWARD MARTIN,
Chairman, Senate Committee on Public Works,
Senate Office Building, Washington, D. C.

DEAR SENATOR MARTIN: During the past several years the Eugene Water and Electric Board of Eugene, Oreg., has prepared a number of exhaustive studies

concerning potential future sources of electric energy. We have assisted in the preparation of these studies and have reported to the board on the subject of technical and financial feasibility of the various projects. One of the economical sources is the Cougar flood control and power project on the South Fork of the McKenzie River constructed and operated jointly by the Federal Government and the Eugene Water and Electric Board.

The electric loads served by the board are located chiefly in the metropolitan area surrounding the city of Eugene. The system has served a large part of this area since 1911. The board has found it economical to generate most of the electric energy in its own hydro and steam plants, but rapid load growth during the last decade has required the purchase of considerable energy from the Bonneville Power Administration. The present peak load is 58,000 kilowatts and we expect it to grow at the average rate of 5,000 kilowatts per year.

It is the board's desire to obtain electric energy for its loads at the lowest possible cost. Its Leaburg and Walterville hydroplants generate energy at a cost of less than 2 mills per kilowatt-hour. Energy purchased from Bonneville is considerably more expensive and last year averaged 3.37 mills per kilowatt-hour. The 31,000-kilowatt steam plant is used for reserve in case of failure of either Bonneville or the hydroplants. Any energy generated in excess of load requirements is sold to other utilities if and when there is a market.

The rate schedule under which the board will probably purchase energy from Bonneville in the future is a so-called demand rate in which cost is determined by the maximum use during the year. At present, this rate is $17.50 per year per kilowatt of maxium taking. In other words, that energy taken from Bonneville and used continuously will cost only 2 mills per kilowatt-hour. Energy used 50 percent of the time will cost 4 mills per kilowatt-hour but energy used only 10 percent of the time will cost 20 mills per kilowatt-hour.

It is difficult to construct generating stations of the size Eugene can afford which will deliver energy for less than 3 mills per kilowatt-hour. We have found a number of sites at which energy can be generated for between 3 and 4 mills per kilowatt-hour, and the overall utility operating cost will be reduced if we replace energy required less than 50 percent of the time, now purchased from Bonneville, with energy generated at a cost of 4 mills per kilowatt-hour. A generating plant operating in this fashion is known as a peaking plant.

The proposed Federal Government-city of Eugene partnership at Cougar Dam is one of the more economical potential sources of future peaking energy requirements. Energy from that source will cost a little less than 4 mills per kilowatt-hour. Our estimate of the total cost of all energy in 1959 if the board purchases all the expected new load requirements from Bonneville is $1,500,000 which figure is also the total cost of operation if the board were operating, amortizing, and paying interest on its share of the Cougar project. By 1964 the total cost of operation will be $1,900,000 if expected new load requirements are purchased from Bonneville. If the board were operating, amortizing, and paying interest on its share of the Cougar project that total cost would be $1,800,000. We therefore, expect the board will save roughly $100,000 a year by 1964 through the operation of Cougar powerplant. Since the plant cannot be complete before 1960 if started now, it is economically feasible as soon as it can be completed. The following tabulation indicates the economic benefits of the construction of Cougar powerplant by the board.

	1959	1964	1969	1974
1. Annual cost of all power and energy to Eugene Water and Electric Board if no additional generating stations are constructed (present BPA rates)	$1,500,000	$1,900,000	$2,300,000	$2,750,000
2. Annual cost of all power and energy to Eugene Water and Electric Board if 37.5 kilowatt station at Cougar is added to present capacity (present BPA rates)	1,500,000	1,800,000	2,200,000	2,650,000
3. Annual net benefit from Cougar at present BPA rates	0	100,000	100,000	100,000
ASSUMING BPA RATES ARE INCREASED BY 25 PERCENT				
4. Annual cost of energy, no additions	1,700,000	2,200,000	2,700,000	3,250,000
5. Annual cost of energy with Cougar added to present capacity	1,500,000	1,900,000	2,400,000	3,000,000
6. Annual net benefits from Cougar	200,000	300,000	300,000	250,000

These potential savings mean a great deal to Eugene and the State of Lane County economy. There are no other local fuels except for electric energy and wood waste and the latter will probably tend to disappear. These savings will mean that Eugene will be enabled to maintain its present low customer rates for a longer period of time and quite possibly to reduce the rates now in existence.

We believe that the Cougar plant as the board will build it will benefit the region more than if it were constructed by the Federal Government. The plant would have a capacity of nearly 40,000 kilowatts instead of 25,000 kilowatts and would be designed to fit a changing rather than a constant load. The board would certainly sell energy not required by its load and otherwise cooperate with other utilities. The electric energy requirements of the region as a whole will certainly be met by the construction of either hydro or steam plants and construction of the Cougar plant by the board will leave more energy in the Northwest power pool for other utilities. Moreover, this action will not burden the pool with a high cost energy station at a time when the great need is for low-cost energy rather than for peaking capacity.

We have no doubt that the construction of power facilities at the Cougar project by the Eugene Water & Electric Board will be a great benefit to the Federal Government, the city of Eugene, and the Pacific Northwest.

Very truly yours,

CORNELL, HOWLAND, HAYES & MERRYFIELD,
THOMAS B. HAYES.

(Statement of Senator Wayne Morse in executive session of the Committee on Public Works, June 28, 1954, and ordered by unanimous consent of the committee to be included in the printed hearings on H. R. 7815:)

Mr. Chairman, I want the record to show that I vigorously protest the reporting of this bill, H. R. 7815, by this committee. We are reporting a bill which, the record shows, has been given most inadequate consideration. We have not had the Secretary of the Interior or other top officials of the Department of the Interior and the Bonneville Power Administration for hearings on the bill. It is a bill which raises many questions as to the whole Federal power program. Many of us have raised the question as to preference, integration, and the April 7 order of the Secretary of the Interior—I raise the question as to this bill's impact upon the Army engineers 308 report. Even if we did not have hearings in the field the Senate committee is not justified in reporting the bill. When you come to presenting a printed record of hearings on this bill you will not have a record containing technical or policy data sufficient to justify reporting it.

Nor has the committee's procedure been adequate. I urge comprehensive hearings in the field on this project and the Green Peter, John Day, and Priest Rapids projects. I was offered a weekend hearing on Cougar Dam project which of course could not begin to hear witnesses who wanted to be and should be heard. This committee would put me in a perfectly ridiculous light in my own town if I had consented to have weekend hearings on this vital question. I know the situation in my State and I know the people who are opposed to this whole program would not expect me to go along with a procedure that would be a farce. It would simply look like a face saving procedure so we could say we had hearings in the field. I pointed out originally that the State Grange, the Farmers Union, the A. F. of L., the CIO, and a considerable number of businessmen are opposed to these bills. They are concerned as to whether this Cougar bill is to be a bellwether bill for undermining the whole power program in the Pacific Northwest.

I want to point out that we have pending before this committee a bill (S. 3623), which was introduced at the urging of the Cougar Dam "partnership" opposition in my State—it is the Morse bill on Cougar Dam proposals. There has been no attempt to have hearings on that bill. I have not been granted the courtesy of the committee of a hearing on my bill. Action is being taken before we even get a report from the Department of the Interior and the Army engineers on S. 3623. I suggest that the 15 Senators who are cosponsors are entitled to hearings. I know that it has been said that it is a stalling bill. Of course I want to postpone action on the bill until we can have hearings. We are presenting the Morse bill with broad backing in Oregon. I think you are setting a peculiar precedent here if this is the way you are going to conduct

hearings on a matter of such vital importance to the State of a member of the committee, and you must expect that a great many people will be disappointed. All I can do is make my record on it and let future events mark the political action in my State. Some people have assumed conclusions. They have assumed the "partnership" bill does not violate the principle of integration. You cannot expect integration of this project in the light of the April 7 order of the Secretary of the Interior. (Copy of this order and its predecessor orders appear at the end of this statement.)

This bill will be looked on as the pilot bill for the whole Pacific Northwest program.

We should have hearings on the whole idea of partnership before reporting such a bill to the Senate. The bill will result in greatly increased cost of power to the people of Eugene. I have a statement that I placed in the Record when I introduced the bill in the Senate on the date of June 17, and ask unanimous consent that it be included in the record with this statement:

[From Congressional Record, June 17, 1954]

STATEMENT OF SENATOR MORSE

On behalf of myself, Mr. Chavez, Mr. Gore, Mr. Hill, Mr. Johnston of South Carolina, Mr. Humphrey, Mr. Kefauver, Mr. Lehman, Mr. Murray, Mr. Neely, Mr. Sparkman, and Mr. Mansfield, I have had introduced for reference to the Senate Committee on Public Works two bills to authorize construction by the Corps of Engineers of power facilities at Cougar Dam and Green Peter Dam and the Whitebridge reregulating dam.

There are now before the Public Works Committee two so-called partnership bills to modify the already authorized Cougar and Green Peter projects so as to permit non-Federal operation of power facilities.

In the case of Cougar Dam it is proposed to give the City of Eugene Water & Electric Board the opportunity to attempt to arrange for operation of the power facilities and to pay the cost of their construction, operation, and maintenance.

The Green Peter modification is somewhat different. While the bill does not specify the agency which would operate the power facilities and distribute the kilowatts, it is no secret that the Pacific Power & Light Co. is anxious to be the so-called partner.

The Cougar project would have an installed capacity of 35,000 to 39,000 kilowatts. Its firm power output would be considerably less. In the case of Green Peter and Whitebridge, installed capacity would be in the order of 81,000 kilowatts. Here again, because of comparatively small water storage, firm power output would be much less than the nameplate capacity.

These projects were originally authorized as part of an integrated program of stream-resource development of the Columbia Basin. The engineers have developed plans for power facilities. In the ordinary course of events they would be integrated with the Northwest power pool, which has done so much for industrial and farm development in the Pacific Northwest by providing large blocks of cheap power at delivery points at which they were needed.

The so-called partnership projects would break up the integrated plan for flood control, power development and navigation, irrigation, and recreation. That is a heavy price to pay for two small projects.

I have consistently advocated the Cougar and Green Peter projects because of the flood-control needs of the Willamette Valley. It has also been my position that these projects should include electric power generation facilities.

My advocacy of Cougar and Green Peter Dams for both flood control and power remain unchanged. I intend to keep fighting for them, as integral parts of the comprehensive plan for maximum development of the Columbia Basin on a regional basis.

I fear that the so-called partnership projects will not only remove these projects from the integrated system but imperil the future of larger Federal projects, such as John Day Dam.

Flood control dams with power facilities require integration of both waterflow with other Federal facilities and power output with the Bonneville Power Administration in order to achieve maximum efficiency for flood control and power benefits.

The partnership bills would leave the control of water release to negotiation between the engineers and the partners until after enactment of bills.

Just 2 days ago, I received a letter from the Bonneville Administrator, Dr. Pearl, in response to my request for a study of power rates to the Eugene Water Board from the Cougar partnership plan as compared with BPA pooled power. This is what he wrote:

"No accurate survey or study has been made by Bonneville Power Administration of comparative costs of power from the Cougar project and BPA. We have requested statistics and other information from the city of Eugene which would enable us to make such a study, but the city informs us that their data are not yet sufficiently finalized to permit them to give us any estimates. We have made variou analyses and comparisons, but each has been based on our own assumptions as to costs, plant-operations characteristics, etc., of the Cougar project. Since those studies are purely speculative, nonfactual, and made for our own internal administrative use, we have not released them or used them in any findings or conclusions expressed publicly. I assume it is to one of these studies that you refer.

"I sincerely regret our inability to furnish you with any valid analysis or comparison of the Cougar project with alternate service from BPA. Any information we can give you at this time is not based upon sufficient facts to justify its release."

According to the Administrator, the Cougar partnership power costs and rates are not known. Until they are the people in Eugene and, indeed, the area are hardly in a position to make an intelligent choice.

Until April 7 of this year the Bonneville Power Administrator had the authority to arrange for interconnection and interchange of power among all Federal and private projects in the Columbia Basin. On April 7 the Secretary of the Interior withdrew that authority so that power integration from these projects is a matter of complete uncertainty.

The bills provide expressly for interconnection with the Northwest power pool and the marketing of electricity under the Bonneville Act. This not only would insure integration with its preservation of low postage-stamp power rates, but would also include the usual preference for public and nonprofit utilities.

The preference provision, which has been basic in Federal power policy for 50 years, is the chief target of the private utilities. Partnership is a convenient means for eliminating that policy from power development.

The Pacific Northwest needs large blocs of power. Those needs will not be met if it is expensive power. The Pacific Northwest needs integration of water and power resources.

We can advance and protect those ends by enactment of the bills I propose. The comparatively small additional cost represents a self-liquidating Federal investment. Of course, the ratepayers will pay for the necessarily higher cost partnership power.

It must be understood that the Korean war caused a no-new-dam-start order. Nonetheless, tens of millions have been spent to complete Federal power projects. If this administration and Congress do not act to meet adequately the future power needs of the Pacific Northwest, then the people will have an opportunity this fall to elect Congressmen and Senators who will.

These two small projects will require Federal appropriations next year whether or not Federal construction or Federal construction plus partnership bills are enacted. They will take several years to build.

Let us plan and build wisely. Let us maintain the integrity of the regional system for maximum development.

The bills, telegrams, letters, and editorial express concern over and opposition to the so-called partnership program.

[From the Oregon Statesman on June 9, 1954]

POWER VACUUM

We can't say that Dr. William A. Pearl, new head of Bonneville Power Administration, made a very favorable impression in his address to the Salem Chamber of Commerce Monday. His address was carefully tailored to the present Interior Department policy, which pretty well dehydrates BPA as a development agency for the Northwest, a role which Dr. Raver had assumed for it. The net effect of this policy is to create a vacuum, and now various groups are reaching for a place under the partnership program.

If the Federal Government is abdicating the leadership which Dr. Raver tried to offer, some sort of regional organization clearly is needed. With local public bodies and private utilities racing to grab chunks of potential hydro, we may get more of a crazy-quilt pattern than we want, not only as to ownership but as to rates, pooling of energy, and scheduling of development.

[From the Hells Canyon News of the Idaho-Oregon-Washington Hells Canyon Association, Boise, Idaho, May 1954]

PARTNERSHIP BILLS ENDANGER REGIONAL GROWTH; PUBLIC MUST ACT TO SAVE RIVER FOR FULL DEVELOPMENT

Administration "partnership" power development bills now before Congress are sounding the death knell of full and comprehensive development of the Columbia River Basin. Aroused public action is necessary immediately to put the brakes on the legislative program, contained in four bills being sponsored by Senator Guy Cordon, or Oregon, which are calculated to wreck the comprehensive plan for the Columbia.

Members are urged to write or wire Senator Edward Martin, chairman, Senate Public Works Committee, Senate Office Building, Washington, D. C., demanding full field hearings and extensive committee hearings on these proposals which will completely reverse the Federal river development program under which the Pacific Northwest has grown and prospered in the past. These proposals are a direct threat to future economic welfare of the entire northwest region.

The bills are the Cougar Dam, Priest Rapids, Green Peter, and John Day proposals, all implementing the McKay "partnership" scheme which means disintegration of the comprehensive plan, piecemeal planning, raising of the cost of power in the region, circumvention of public preference laws, fostering of interstate rivalry for power, elimination of the savings and efficiency resulting from an integrated transmission system, increasing of administrative friction and inefficiency, burdening power production with a disproportionate share of multipurpose construction costs.

The fact that 2 of these bills designate public bodies as the partner and the other 2 pass on the benefits to private utilities makes little difference. They are all inherently at cross-purposes with the integrated and comprehensive development of Columbia Basin water resources. They are contrary to the first purpose of the National Hells Canyon Association as set forth in its bylaws: Namely "to encourage and promote the maximum development of the land and water resources of the Pacific Northwest."

The John Day partnership bill introduced by Senator Cordon on May 25 epitomizes the dangers inherent in all the partnership proposals, and points up the shortcomings of partnership as related to water resource development needs of the Northwest region.

First, the John Day partnership perverts the intent of comprehensive planning by failing to integrate power output into the basinwide system. Like Priest Rapids, Cougar, and Green Peter Dam bills it calls for piecemeal development, with the power going specifically into the service areas, as opposed to pooling of power into a regionwide system for regionwide use. The provision in the John Day bill which specifically allocates the output of a multipurpose project on an interstate stream to the exclusive use of Oregon is completely counter to the idea originally fostered by President Theodore Roosevelt: "Each river system, from its headwaters in the forest to its mouth on the coast, is a single unit and should be treated as such."

It is true that John Day Dam was originally part of the comprehensive plan. However, by failure to integrate its power output and by giving away the power benefits to Portland General Electric Co., the Cordon bill violates the test of comprehensiveness.

Danger of the partnership to general Northwest development is that it isolates the available supply of power to local areas. In the past, industries have found it advantageous to choose locations in the region for reasons other than availability of power. Industries were able to exercise this choice because of the integrated Bonneville Power system. Isolating the power supply will force them to go to the areas which have taken over the power supply through the partnership method. In those localities other factors may be so overwhelmingly disadvantageous as to force industry to locate elsewhere in the Nation, despite the availability of power. Integration of power from all Federal projects into a

regionwide grid enhances the Northwest as a place for industry to locate because it provides flexibility in choosing plant locations. Cordon's proposal does not provide such an invitation to industrial expansion.

Second, the John Day partnership, like the other partnership bills, will mean higher cost power to consumers served by the partners. There are two basic reasons for this: (1) John Day's high construction costs cannot be averaged in with the low construction costs at Bonneville and Grand Coulee Dams because John Day's power output is not integrated into the Federal transmission system. The Bonneville power rate is determined by averaging the cost of power production from all Federal projects. Since John Day, Green Peter, Cougar, and Priest Rapids will not come within the scope of this rate formula, nor benefit from the high output-low cost Bonneville and Grand Coulee projects, the cost of power to the consumer will be higher under the partnership plans than if the same dams were built as fully integrated Federal projects; (2) the cost of power will be higher from the John Day Partnership than from the Federal power dams because of the higher interest rates which Portland General Electric will have to pay for financing its part of construction costs. How much higher? PGE officials said their financing plans were "in the formative stage." However, history of private company financing shows their cost of borrowing money has an average interest rate of around 6 percent, assuming an interest rate of 3½ to 4 percent for bonds and 7 to 8 percent on stock. On such a basis, the present $17.50 Bonneville power rate, which benefits from low-cost Federal interest rate, would increase about $2.80 for each 1 percent in the increase of the cost of borrowing money. A difference of 3 percent between the rate at which PGE and the Federal Government can borrow money would boost the $17.50 Bonneville rate up to $25.90, an increase of nearly 50 percent in the power rate.

When the cost of power is related to what the Pacific Northwest needs for industrial development, it becomes obvious that the partnership will be disastrous to our future economic growth. Hydropower is our principal source of energy for industry. We need greater industrial diversification to level out the peaks and valleys of unemployment resulting in an economy dependent largely on the seasonal lumber and agriculture industries. How can this be achieved under a partnership plan which raises the cost of power by 50 percent over what it would be under fully integrated Federal development?

In announcing introduction of the John Day partnership bill, Cordon said the provision giving Oregon first call on the power was aimed at offsetting a geographical monopoly in power distribution. He said Washington was getting a disproportionate share of Grand Coulee and Bonneville power. In essence what Cordon's partnership does is this: It reserves for Oregon the high-cost John Day power, and gives the State of Washington, with its many public-preference agencies, first call on all the cheap Bonneville and Grand Coulee power. In competition to attract industry, Oregon's position under Cordon's high-rate scheme is certainly far from favorable. The John Day partnership is not a good business proposition for Oregon, nor for the entire Northwest region.

Third, the John Day partnership circumvents the public-preference rights contained in legislation for construction of multipurpose dams during the past 50 years. Under provisions of Cordon's bill, the public agencies will lose their rights to John Day power if they fail to join in financing with PGE. If they do not join in the scheme during the financing period provided by the bill (approximately a year), the preference right which they have on power produced at Federal multipurpose projects will be lost forever at John Day. Apparently the strategy in drafting the John Day partnership bill was to make it unpalatable or financially unfeasible to Oregon's public-power groups so that they would be forced to withdraw from participation, losing their preference rights, and leaving the field clear for PGE to take over the power output.

Fourth, the John Day partnership violates the concept of comprehensive development because it increases interstate conflicts and interstate jealousies over use of Columbia River waters. Cordon't proposal gives Oregon ultilities the first call on power. Yet the north abutment of the dam will rest in Washington, and the waters impounded by John Day Dam have their source in the States of Washington, Idaho, Montana, and Wyoming, as well as in Oregon. Development of the total potential of the Columbia River will be less under Cordon's State-by-State approach than if developed as a unit in which all States are given an equal right to share in the benefits.

Fifth, the John Day partnership raises a question of very basic public importance. Prof. Charles McKinley, Reed College professor, testifying before the

Federal Power Commission, raised this point: "I am especially concerned with the possible danger of bad results in terms of corruption that may take place under the partnership concept involving sharing of costs of projects—where the Federal Government builds the nonreimbursable part of the dam and the other partner might build or pay for other parts. I think if such a policy is adopted, it puts extraordinary pressure upon the agencies, or upon Congress, to make cost allocations that will favor the interests, be it public or private, who play this partnership role, and that we may expect a marked increase in the number of engineers from the Federal agencies, including perhaps FPC, who may wind up their careers with fat jobs in private and public utilities. We know this is a fact with regard to public life which we have to guard against. The story of RFC and FHA ought, I think, give us a little pause before we embark on a policy for which we have good alternatives." Commingling of public and private funds is contrary to a basic idea in American government, so much so that most governmental units are prohibited by law from owning stock in private corporations. Otherwise, it is difficult to keep track of public business, to determine what belongs to whom.

Sixth, the partnership bills add to administrative inefficiency, and therefore are contrary to the unified development of the river system. Conflicts between the Bureau of Reclamation and Army engineers in river development are historic. What will be the effect on administrative efficiency of adding other agencies, either public or private, to the management of the Columbia River system? There can be no question that friction will increase as the partnerships add agencies to planning, design, and operation of the region's powerplants and reservoirs. Each partner may see a different obligation or have a different objective or interest than the other partner. The partnership bills provide no means of resolving these conflicts of interest. The only solution is in lawsuits, at best an ineffective and inefficient method of administering the water resources of the Columbia Basin.

The net effect of the partnership proposals is to provide less in broad economic and social gains than would have resulted under full Federal development. Why should the United States Treasury be used to foster a program which is contrary to the Nation's best interests?

It is agreed that the Northwest faces a future power shortage because of the lag in Federal dam construction. But that is no reason to sacrifice the program for full development. Just because you can't raise the money today to make a badly wanted addition to your house it doesn't mean that you should burn your house down. Let's not kill comprehensive development by swallowing the partnerships as an expedient.

HELLS CANYON ASSOCIATION WITNESSES BUILD CASE FOR HIGH DAM CONSTRUCTION

A parade of witnesses representing the National Hells Canyon Association has been building a strong record for Federal construction of high Helis Canyon Dam since resumption of Federal Power Commission hearings in Washington, D. C., May 10.

C. Girard Davidson, counsel for the association, led off the sessions with a statement establishing the legal framework contained in the Federal Water Power Act on which Hells Canyon supporters have based their case before the Commission.

"The principal question which the Commission is called upon to decide initially is whether development of the resources of the Middle Snake should be undertaken by the United States Government itself," Davidson declared. "This question must therefore be decided by the Commission before it gives any consideration to the aplications of the Idaho Power Co.

"We respectfully request the Commission to recommend to the Congress that the United States itself develop the Middle Snake in accordance with the coordinated comprehensive plan," he added.

"The narrow issue in this proceeding is whether a small private utility shall be permitted to exploit, primarily for its own special interests, the water resources of the Middle Snake or whether those resources shall be fully developed by the United States for the people of the region and the Nation. And this issue has broader implications. If private development by the Idaho Power Co. takes place on the Middle Snake, other sites that are equally essential to comprehensive development will be threatened.

"The whole of the Columbia Basin will then be thrown open for piecemeal exploitation and the unified basic program will be ripped apart, never to be put together again."

The basic importance of Columbia Basin development by the Federal Government was emphasized in testimony of Charles McKinley, Portland, Reed College professor and president of the American Association of Political Scientists, who described the piecemeal power partnership as disastrous to the region.

The Federal Government, McKinley said, has the legal rights, rights which I think are of great economic value to the people as a whole, for the development of hydroelectricity on the Columbia system.

"It should not be given away, whether to municipal, State, or private beneficiaries, because it can be made to yield to the region and to the Nation—if utilized on an integrated river-system basis—more net benefits than by piecemeal, State-by-State or city-by-city or company-by-company development.

"The Columbia River system is a great interstate and international river system. Its water volume is greater than that of any other stream in the United States except the lower Mississippi, and it contains the highest hydroelectric potential of any river system in the United States. But that potential can only be realized economically if it is planned and operated as a unit, both hydraulically and electrically.

"The National Government is the only public organization which has the interstate jurisdiction that is essential. It alone will finance or can finance the flood control, the fisheries, the navigation and irrigation, and other nonreimbursable costs that must be incurred. It is probably the only agency with financial resources adequate to design, build, and finance an integrated river system of major hydroelectric reservoirs and transmission facilities."

Professor McKinley, who served as a consultant to the National Resources Committee and many other groups studying resource-development problems, said "effect of the partnership policy on comprehensive river-basin development would be disastrous."

"The partnership, whether it be a municipal, a public utility district, or a private agency is a menace to the best development of the total system," he explained. "Pending proposals of the private utilities on the Snake and the Clark Fork would destroy more development values than would be available under the main control plan. All of these projects really run counter—whether they are public or private agencies—to the best possible utilization of the river's resources.

"The partnership schemes, each in its turn, would divert from the total pool of regional power a fraction, sometimes a major fraction, to that local or private agency which puts up the power-construction cost. The private company or the public utility district or the municipality which becomes possessed of the power facilities in these proposed projects will naturally have the right to divert to its own interest and its own territory as much of the energy as it can market there, leaving whatever balance there may be for the general marketing to the general region as a whole.

"The implied intent of the Bonneville Act of 1937 was to provide a regional pool of power which any distributing agency might buy at the same rate or the same type of contract. Industry and agriculture and mining could thus choose locations for reasons other than the differential in power rates or energy availability. The so-called partnership policy, whether for public or private agencies, cuts athwart this basic policy upon which has been built, during the past 17 years, the remarkable development of our region.

"The economic consequences of the partnership concept would tend to raise the cost of electric energy for the simple reason that the interest, which is a very important part of capital costs, is bound to be higher for non-Federal propects than for Federal projects. This would be a very definite impairment of the broad objectives which were a part of the purpose sketched out both in the Bonneville Act and in the proposals made by the regional planning commission and the National Resources Committee.

"Remember this is a region in which there is no other adequate source of energy for industrial and general purposes. Therefore, the problem of its economic development by public and private enterprise is intimately tied to the cost of power. If that cost can be kept low, the prospects of increased productivity, therefore increased income, are markedly improved. Insofar as the partnership policy implies the possibility of increased cost, this would be a distinct drawback."

He said the partnership scheme would further "tend to distort development, especially in a period, of shortage, to those locations lucky enough to get a partnership claim on some power supply. Under the partnership the supply of power becomes localized, as against a supply which is poured into a regional system and can be taken out anywhere on the transmission line."

McKinley described the regional corporation proposal for comprehensive river development as "a kind of third best administrative device; but in the absence of some other arrangement, it might have some real advantages." He described the proposals of the Hoover Commission Task Force on Natural Resources, in their report of 1949 as "the most nearly concrete plan of administrative organization for river basins that meets most of the requirements for dealing with all of the related resource elements."

"Probably the second alternative that offers a prospect being able to put these things together is that of the valley authority organization, not precisely like TVA, but something comparable to it."

McKinley said there had been a "trend of deterioration" in comprehensive river planning since 1949, after Len Jordan became Governor of Idaho.

"We have seen the CBIAC repudiate its endorsement by excising a number of the principal elements from the main control plan," McKinley said. "We have seen the State governors who without exception in their 1949 letters endorsed the elemental features of this plan, make no protest to the exclusion of Hells Canyon project from it, without putting forward any feasible alternative which would provide as many or as great multipurpose benefits."

McKinley criticized the Army engineers for never resisting "the distortion or wrecking of a major development plan if local people oppose."

"It [the Army engineers] has always been willing to retreat when such local opposition strikes, regardless of the consequences to the economy and to the best characteristics of the comprehensive plan, nor does it pay too much attention to the increased total costs because its projects don't have to meet the test of financial feasibility," he added.

Owen Hurd, director of the National Hells Canyon Association, was the first witness to testify showing that Hells Canyon Dam has widespread regional and national support. Hearing Examiner Costello ruled out part of Hurd's testimony on grounds there was no relevance in the feelings or expressions of individuals who are members of organizations in other parts of the country. Idaho Power Attorney Parry objected continuously to Hurd's testimony detailing the support given the Hells Canyon projects by Northwest organizations representing more than 2½ million persons.

Mrs. Evelyn Cooper insisted that public opinion must be weighed by the Commission in making its decision because the law requires it to decide whether a Federal dam should be built at Hells Canyon.

Elmer McClure, master of the Oregon Grange, testified on behalf of his own organization and the Washington Grange and Oregon Farmers Union. He said:

"If the comprehensive river plan, including Hells Canyon, does not go forward the farmers served from the Bonneville system could not continue to draw on the Federal system for their generating needs.

"They would be adversely affected financially. They would be forced to seek other sources of power supply from steam plants or from privately owned generating plants. This would be higher cost power than obtained from the Federal system which has an advantage of low-cost financing, averaging the low Bonneville and Grand Coulee construction costs into a systemwide rate, and the increased efficiency and economy of an integrated Federal transmission system.

"Granting of the license of the Idaho Power Co. for power development in the Hells Canyon area will make it more difficult for members of the organizations I represent to count on the Federal system as a major source of low-cost power.

"For this reason, we oppose the Idaho Power Co's request for a license and request that the Federal Power Commission recommend to Congress the construction of Hells Canyon Dam by the Federal Government. Failure to build Hells Canyon Dam as a Federal project will mean that amount of power which would be produced would be subtracted from the total supply of low-cost Federal power available to our members."

John George, vice president of the National Rural Electric Cooperative Association, representing REA's of Oregon, Washington, Idaho, and Montana, pointed out:

"If Hells Canyon should fall into the hands of the Idaho Power Co. and other dam sites into the hands of other private utility companies, the rural co-ops will have no public body preference to rely on in purchasing power supplies from these projects. We will have no postage stamp rate which equally applies within each class of users. Our power costs will certainly go way up. * * * It would force us to retreat to the position my own co-op was in when we first started

in 1937 and had to depend on contracts for high-cost private power, and it might force many co-ops out of business altogether. This would mean higher electric bills for everybody, not only the rural people but in the cities as well, because the important yardstick that keeps prices in line would be destroyed. Competition from the REA's has been very important in bringing private rates a little bit lower during the past several years."

Vince Cleaveland, manager of Clark County PUD, testifying for the eight Washington PUD intervenors, said:

"PUD's do not generate their own power. In 1953, 96.8 percent of their power supply was Federal. Therefore we feel it is our duty to protect our power supply. We depend on the Federal Government to meet our legal obligation to our districts. If we are unable to rely on an ever-increasing supply of power in the generation and marketing of which the Federal Government does not in some manner participate, we will be forced to look elsewhere for a supply. All studies to date demonstrate that other sources would be costly. You destroy a potential site for the Federal system, and in effect destroy a portion of the PUD's source of supply, with no comparable alternative. All this is why the eight PUD's have intervened. Any development less than maximum or which results in a higher kilowatt-hour cost to our districts has a direct effect upon our operation.

Charles Baker, manager of Pacific Supply Cooperative, discussed the need for low-cost power to develop southern Idaho's phosphate beds. Baker said Hells Canyon power was needed to enable cooperatives to process phosphate fertilizer. He also emphasized the importance of Hells Canyon to improvement of navigation on the Snake River, for production of the maximum amount of power, and for subsidizing irrigation.

Samuel Moment, Bonneville Power, power marketing expert, testified that complete integration of proposed Federal dams in the Columbia basin was necessary to provide the low-cost power needed to develop the Pacific Northwest.

"Complete integration is necessary to get maximum market development," Moment said, "every economic kilowatt should be extracted from the Columbia River area."

He estimated that 3,300,000 kilowatts of new power could be produced by proposed Columbia projects in the main control plan and that this power would attract $1 billion in new plant investments by private industry. The development resulting from such expansion of the power supply would provide between 165,000 and 335,000 new jobs in the region, and would create a housing demand of between $1 billion and $3 billion.

He pointed out that private power company development would mean higher power rates and that growth would therefore be slower than under Federal development. Moment said Federal power had resulted in savings of possibly $200 million to power consumers of Oregon and Washington.

(Incidentally, BPA announced that Moment was one of the persons to be dropped from its payroll on July 1. This action was taken despite the sanctimonious statements of both Secretary McKay and Under Secretary Tudor that Interior witnesses would be free to testify in favor of Hells Canyon Dam and that no employee who may be called as a witness need be concerned his testimony in this case will have any effect on his future in the Department. Announcement of Moment's dismissal was made the day he was testifying in favor of Hells Canyon Dam.)

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OREGON STATE GRANGE,
Portland, Oreg., June 8, 1954.

Senator WAYNE L. MORSE,
Senate Office Building, Washington, D. C.

DEAR SENATOR MORSE: Because of the fast-changing conditions in the Northwest and the many problems to be considered in setting up partnerships between the Government and private power agencies, as well as the Government and public power agencies, for the purpose of building and operating hydroelectric dams, the Oregon State Grange is asking that hearings be held on these questions both in Washington and in the field affected so that we may have a better understanding of what could happen under such partnership programs.

Each proposal so far advanced has a definite area advantage for the agency proposing such a partnership. The whole partnership idea is rather new, and, since many different proposals are being made at this time, we feel that the people of the Northwest should have more time to analyze the merits and demerits of the various proposals.

The Northwest has prospered as a unit under the comprehensive development plan that is operated under the Bonneville Act. Any change in this would certainly deprive some areas of the power that rightfully belongs to them. We are very much opposed to any action being taken on any of these proposals until a complete study has been made and all of the factors involved have been brought to light.

Sincerely yours,

ELMER MCCLURE,
Master, Oregon State Grange.

WALLACE, IDAHO, *June 11, 1954.*

Hon. WAYNE MORSE,
United States Senator, Senate Office Building,
Washington, D. C.:

The Idaho State Federation of Labor vitally interested in hearing on the proposed private utilities partnership bills. Therefore, we are asking you to use your best efforts to hold part of the hearing in the Northwest, where it will be possible for us to appear and defend our rights.

ELMER F. MCINTIRE,
Executive Secretary,
Idaho State Federation of Labor.

BAKER, OREG., *June 11, 1954*

Hon. WAYNE L. MORSE,
Senate Office Building, Washington, D. C.:

We understand separate hearings on partnership proposals are being scheduled before the Public Works Committee. We urge that all such partnership bills be lumped together in hearings. This organization would like to testify but financial limitations make it impossible to come to Washington. Do everything possible to get hearings in this region.

BAKER COUNTY COMMERCIAL CLUB.

PORTLAND, OREG., *June 8, 1954.*

Senator WAYNE MORSE,
Washington, D. C.:

On behalf of the CIO I wish to urge that you strongly oppose the various partnership bills that are now being proposed. The CIO believes that hearings should be held on all these bills before decisions are made on any one by itself in order that we may see what policies are involved.

GEORGE BROWN,
Executive Secretary.

PORTLAND, OREG., *June 11, 1954.*

Senator WAYNE MORSE,
Senate Office Building, Washington, D. C.:

Our members throughout Pacific Northwest are alarmed over effect which so-called partnership bills now being considered by Senate Public Works Committee will have on development of Columbia River. Since their meaning is not clear we urgently request committee conduct joint hearings on all power partnership proposals now before it because we wish to make our views known because our members must live under whatever river program Congress imposes upon us and because they are persons of limited finances. Our viewpoint can only be relayed to Congress by holding hearings throughout this region. We will greatly appreciate it if you will transmit our plea to members of the Public Works Committee.

SAM FRETWELL,
Chairman, Idaho-Oregon-Washington Hells Canyon Association.

RESOLUTION DISAPPROVING THE JOHN DAY DAM PARTNERSHIP PROPOSAL AND REAFFIRMING OUR SUPPORT FOR REGIONAL POWER DEVELOPMENT

Whereas companion bills (S. 3510 and H. R. 9307) have been introduced in the 83d Congress by Senator Guy Cordon, of Oregon, and Representative Sam Coon, of Oregon; and

Whereas these bills are popularly referred to by the press as the Coon-Cordon partnership bills; and

Whereas these bills provide for a scheme of financing and prosecuting development of the John Day project on the Columbia River; and

Whereas the Oregon Rural Electric Cooperative Association has studied and discussed the provisions of these bills at two general meetings and a number of committee meetings, and has under date of April 13 expressed its serious reservations as to the desirability of this proposed legislation; and

Whereas notwithstanding this expression there appears to have been attempts recently to misinterpret the position of the Oregon Rural Electric Cooperative Association on this matter: Now, therefore, be it

Resolved, That the Oregon Rural Electric Cooperative Association at its special meeting in Portland, Oreg., June 2, 1954, unanimously opposes passage by the Congress of S. 3510 and H. R. 9307 for a number of reasons three of which are:

1. These bills further weaken the antimonopoly provisions of the Bonneville Act and other statutes relative to the sale of power from Columbia River dams.

2. These bills, if passed, will go far toward destroying the principle of regionwide development of Columbia River power on an integrated basis.

3. These bills will unnecessarily increase the cost of power; and be it further

Resolved, That we reaffirm our belief that the proper development of the water power resources of the Pacific Northwest can best be accomplished on a regionwide, self-liquidating basis to the end of achieving the lowest possible cost of power.

HOOD RIVER ELECTRIC COOPERATIVE,
Hood River, Oreg., June 8, 1954.

Hon. SAM COON,
House of Representatives,
Washington, D. C.

DEAR MR. COON: Thank you for your letter of June 1, with which was enclosed three copies of H. R. 9307 relative to the development of John Day Dam.

First, may I state that the spirit of this bill is commendable in that it is a sincere effort to speed up construction on power production in the Northwest.

However, I do not like the bill and will use every effort and influence at my command to tell local people that I do not like the bill for the following reasons:

1. Only the largest of the "local partners" can participate due to the amount of capital required. Their monopoly on power will thus be strengthened.

2. The river should be developed for the benefit of a region and not a State. State lines should be ignored in this or all future power development from the river. Giving Oregon priority to the power indicates retaliation for the recent power grab attempt by the Washington Power Commission.

3. The cost of power to the consumer will be increased because—

(*a*) Interest rates "local partners" must pay will be higher than the Federal interest rate.

(*b*) The "local partners" will have profit in mind when they go into this.

(*c*) Any monopoly leads to higher costs to the consumer.

There are only two workable methods to develop this river to the maximum benefit to all. Preference is in the order named:

1. Continued congressional appropriation to build self-liquidating projects as has been successfully done for two decades but accelerated to the extent necessary to meet load demands, or

2. The creation of a regional corporation by the Congress, ratified by the States. This corporation could finance the many projects by issuing revenue bonds. It has been long advocated by the Portland Oregonian and the idea certainly has merits.

Personally, I do not like any part of the "partnership policy" announced by the Secretary of the Interior. This river belongs to the region, not to States, municipalities, or corporations. It should be developed to its maximum benefits solely for the people of the region.

Thank you for giving me this opportunity to express my views. I know that I am expressing the views of the members of my cooperative. I am certain you will receive many letters from individuals in the Northwest protesting this bill.

Again may I commend the spirit and intent of the bill but in practice it will work to the benefit of the few "partners" participating and to the detriment of the many power users.

Respectfully yours,

WILLARD I. JOHNSON,
Manager.

PORTLAND, OREG., *May 20, 1954.*

Senator WAYNE L. MORSE,
Senate Office Building:

Multonomah County Hells Canyon Association strongly opposes non-Federal development of Cougar and Priest Rapids Dam. Fear will be precedent for further breakup of integrated regional development and Portland area will suffer. Best regards.

GERALD H. ROBINSON.

I am of the opinion, and one of the experts at Bonneville Power Administration has figures that show the cost of power of Cougar will be substantially higher than the cost of Bonneville. Mr. Moment, of the Bonneville Power Administration, testified before the Federal Power Commission. We think he let the cat out of the bag when he referred to studies and came forward with the conclusion that rates at Eugene under Cougar, under this plan, would be higher. Here again the opposition feels that this is the beginning that will cause increase in power projects, as some charge one rate and others charge other rates. I received a wire which I put in the Congressional Record last Friday and I want it part of the record of this committee. You will see in my reply to the Eugene Water Board I stressed the point of rates.

(The matter referred to is as follows:)

[From Congressional Record, June 25, 1954]

Mr. MORSE. Mr. President, I ask unanimous consent to have printed in the body of the Record, at an appropriate place, a telegram which I received today from the Eugene Water Board in regard to the proposed Cougar Dam, and a telegram setting forth my answer of opposition to the Eugene Water Board's position on the Cougar Dam, with a request in the message that the Eugene Water Board provide me at an early date with an analysis of the Eugene Water Board's contract with the Bonneville Power Administration in respect to the effect of the April 7 order of the Secretary of the Interior on that contract.

(There being no objection, the telegrams were ordered to be printed in the Record, as follows:)

EUGENE, OREG., *June 21, 1954.*

Senator WAYNE MORSE,
Senate Office Building:

Your statement in Congressional Record of June 17, opposing Eugene Water and Electric Board plans to construct and operate the power facilities in the Cougar project has been called to our attention. We wish to call your attention to the following facts concerning our participation in the Cougar project.

Extensive and comprehensive economic studies of the feasibility of adding power facilities to the Cougar flood-control dam were made by the water board staff and by expert outside consultants before we submitted the partnership proposal embodied in the present Cougar legislation. The outside consultants were Cornell, Howland, Hayes & Merrifield, of Corvallis, Oreg.; Morrison Knudson Contractors, of Boise, Idaho; the International Engineering Co., of San Francisco.

The proposed installed capacity of 39,000 kilowatts will be firm power in our system. Please note that firm power is distinguished from prime power. Prime power is available continuously. Cougar will supply firm power for approximately 10 hours per day. The operation of the project would be geared to the needs of irrigation, the maintenance of stream flow, and of the available water during the dry season. The powerplant could be shut down during weekends to conserve water if necessary.

We do have definite preliminary estimates of the cost of power from Cougar. We have not yet supplied these figures to the Bonneville Power Administration. We have made definite arrangements to do this in the immediate future. The cost of firm energy from Cougar under water board operation is estimated to be 3.7 mills per kilowatt-hour under present costs and plans. The cost to us of equivalent firm energy from the Bonneville Power Administration would be 4.2 mills per kilowatt-hour at present Bonneville rates.

Cougar project was recommended for construction by Corps of Engineers as a part of the integrated development of the Columbia Basin. Construction and operation of the power facilities by the Eugene Water and Electric Board would in no way adversely affect the integrated plan, but would accelerate its progress.

Operation of space for flood control and release of water for downstream benefits would be under the direction of the Corps of Engineers in any case.

Power generated would be a benefit to the entire area, including the Northwest power pool. Regarding the operation of the Northwest power pool, Eugene's system is permanently connected to the pool, and the capacity of our municipal electric-generating facilities would simply add to the supply available in the Northwest. If the power available to other utilities power which Eugene does not draw from the pool, the chairman of the Pacific Northwest Utilities conference committee, the operating arm of the pool, has submitted a statement to Congress which emphatically says the operation of the Cougar powerplant by the Eugene Water and Electric Board would materially increase the effectiveness of the pool.

As of this date we have spent approximately $41,000 on this project. Our proposal has been submitted to Congress with the firm conviction that the construction and operation of the Cougar power facilities by the Eugene Water and Electric Board will in part meet the needs of this rapidly growing area and is sound from engineering, economic, and financial standpoints.

Copies of this telegram are being sent Senator Edward Martin, chairman of the Senate Public Works Committee, and to Senator Cordon. Other copies will be released locally.

EUGENE WATER AND ELECTRIC BOARD,
LIONELL W. TROMMLITZ, *President.*

JUNE 25, 1954.

EUGENE WATER AND ELECTRIC BOARD,
Eugene, Oreg.:

Thank you for your wire of June 22. I shall place it in the Congressional Record today and shall also submit it to the Senate Public Works Committee. It in no way answers the point which I raised in my Senate statement on June 17. You are asking for construction approval of a project before you submit to the Congress accurate and full information on comparative costs and comparative rates as between your proposed partnership plan and construction of the entire project by the Federal Government with power sales through Bonneville. You do not meet the issue of the effect of McKay's April 7 order on new projects, such as the proposed Cougar project. I respectfully request that you submit to me at an early date an analysis of your contract with Bonneville as it relates to the April 7 order. It is my judgment that the Cougar Dam bill you are urging, in its present form, is not in the best interest of the people of the Eugene area to be served by the project or the State of Oregon. The Cougar Dam bill which I have introduced keeps faith with the long-established Federal power policy, and I regret that interests in my home community are proposing a plan which, in my judgment, will serve as a precedent for turning over the rivers of our State to selfish interests, thereby jeopardizing the possibility of providing the people of our State with more cheap power.

WAYNE MORSE.

Mr. Chairman, that is the position that I shall continue to take. It is a position that has the support of an overwhelming majority of the people of my State. I regret we are about to report a bill to the Senate like this. We do not have a copy of the Eugene Water Board contract with Bonneville, which is important on the question of integration. We do not have the rates. The rates claimed by backers of this bill just do not square with what the experts say. What we are proposing here in this project will result in higher electric power rates for the people of Eugene. There is bitter feeling in Lane County because they see what has been pointed out that the Eugene Water Board is going away beyond its municipal functions and will take over the power in that agricultural area. I have a wire reciting the resolution just adopted by the Oregon State Grange, and I have an additional wire I have to submit from the Oregon State CIO, in line with a wire from the Farmers Union. I ask that they be made part of this record.

Mr. Chairman, that is all.

(The wires referred to above are as follows:)

OREGON STATE GRANGE RESOLUTION ADOPTED JUNE 1954

We approve that portion of the master's address regarding partnership, subject to elimination of specific recommendation therein and subject to the following statement of general policy.

That the Oregon State Grange continue its accepted policy of Federal planning and development of our major river resources and that it oppose partnerships or other proposals, such as the John Day proposal by Senator Cordon and Representative Coon, that would directly or indirectly turn the power or generating facilities over to private control.

That we further urge the executive committee to carry out these recommendations.

[Telegram]

PORTLAND, OREG., *June 19, 1954.*

Senator WAYNE MORSE,
Senate Office Building, Washington, D. C.:

On behalf of the Oregon State Industrial Union Council I wish to again advise you that we are opposed to the many partnership bills that are before Congress, and again urgently request you support that extensive hearings be held on the policies and principles involved in these proposals before Congress takes action on any one of them as an individual case.

Respectfully,

GEORGE BROWN,
Executive Secretary.

UNITED STATES DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, April 7, 1954.

Order No. 2753.
Subject: Marketing of electric power and energy by the Bonneville Power Administration.

Section 1 Designation as marketing agency. The Bonneville Power Administration is designated as the agency to market available surplus electric power and energy generated at the sources specified in this section pursuant to the specific statutory authority as to each project:

(a) Bonneville project, pursuant to the act of August 20, 1937 (50 Stat. 731), as amended;
(b) McNary Dam, pursuant to the act of March 2, 1945 (59 Stat. 10);
(c) Hungry Horse Dam, pursuant to the act of June 5, 1944 (58 Stat. 270);
(d) the following sources, pursuant to the acts of December 22, 1944 (58 Stat. 887):

Albeni Falls Dam
Big Cliff Dam
Chief Joseph Dam
Detroit Dam
Dexter Dam
Lookout Point Dam
The Dalles Dam

(e) the following sources, pursuant to the Federal reclamation laws (act of June 17, 1902, 32 Stat. 388, and acts amendatory thereof or supplementary thereto);

Grand Coulee Dam
Chandler powerplant, Kennewick division, Yakima project

Section 2 Contracts. The Bonneville Power Administrator may, subject to the applicable statutes, enter into contracts for the sale or interchange of electric power and energy in the performance of the functions assigned by section 1 of this order. The Bonneville Power Administrator may, in writing, redelegate to officers and employees of the Administration the authority granted in this section, and he may authorize written redelegations of such authority.

Section 3 Revocation. Orders Nos. 1994 (9 F. R. 11966) and 2115 as amended (10 F. R. 14211; 11 F. R. 8830; 17 F. R. 5197; 18 F. R. 2831) are revoked.

(Sec. 2, Reorganization Plan No. 3 of 1950; 5 U. S. C., 1952 ed., sec. 133z–15, note.)

DOUGLAS MCKAY,
Secretary of the Interior.

UNITED STATES DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, April 7, 1954.

Order No. 2754.
Subject: Hungry Horse Dam project.

The Bureau of Reclamation is designated as the agency, under the direction and supervision of the Secretary of the Interior, to carry out the functions and duties of the Secretary under the act of June 5, 1944 (58 Stat. 270), with respect to the design, construction, operation, and maintenance of the Hungry Horse Dam project in accordance with the terms of the above act. The Bureau, in the design of the power-generating facilities to be installed at the dam, shall cooperate and consult with the Bonneville Power Administration.

DOUGLAS MCKAY,
Secretary of the Interior.

DEPARTMENT OF THE INTERIOR

Washington

Order No. 2115, Amendment No. 1.

Subject: Disposition by Bonneville Power Administration of power from certain projects, and related matters.

1. Sections 1 and 2 of order No. 2115 (10 F. R. 14211, 11 F. R. 8830, 17 F. R. 5197), as amended, are further amended to read as follows:

"1. The Bonneville Power Administrator (hereinafter called the Administrator) is designated the marketing agent for the surplus energy of the Chandler powerplant of the Kennewick division, Yakima project (authorized by the act of June 12, 1948, 62 Stat. 382), and of all projects now or hereafter constructed in the drainage basin of the Columbia River and its tributaries and in such other river basins as drain into the Pacific Ocean in the States of Washington and Oregon, for which the Secretary of the Interior is authorized to market power pursuant to section 5 of the act of December 22, 1944 (58 Stat. 887), and section 2 of the act of March 2, 1945 (59 Stat. 10). The Administrator shall assume the duty of marketing such energy in addition to the marketing of surplus electric energy of the Bonneville project as directed by the act of August 20, 1937 (50 Stat. 731), as amended, and the Grand Coulee and Hungry Horse projects, for which he has been heretofore designated as marketing agent. In view of the increased responsibilities of the Administrator, this order is issued to define and amplify existing policies and procedures and the relationships of the Administartor with the Department as set forth in applicable departmental orders establishing and defining such relationships and procedures which are reaffirmed without modification.

"2. The Administrator is directed, to such extent and in such manner as in his judgment the public interest may require and as are consistent with applicable statutes and Executive orders, (a) to integrate the power facilities of all projects for which he is the marketing agent of surplus power; provided that nothing in this order shall be construed as conferring authority over the operation of power-producing facilities of such projects; (b) to interconnect such projects with publicly owned power systems and to exchange electric energy with and purchase and sell electric energy from and to such systems; and (c) to sell and dispose of all electric energy in accordance with the policies of the act of August 20, 1937 (50 Stat. 731), as amended, and the act of December 22, 1944 (58 Stat. 887), and, with respect to the Columbia Basin project and the Chandler powerplant of the Kennewick division, Yakima project, in accordance with the policies of the Federal reclamation laws. The Administrator may exercise such of the powers and functions vested in the Secretary by any act governing the marketing of the surplus electric energy referred to in this order as may be necessary or appropriate for the marketing of such electric energy. In carrying out the integrated operation of the projects for which he is designated the marketing agent, the Administrator, through such employees as he may designate, may exercise any of the functions vested in him with respect to any project."

2. This amendment No. 1 supersedes the amendments made by order No. 2237 (11 F. R. 8830) and Order No. 2663 (17 F. R. 5197).

DOUGLAS MCKAY,
Secretary of the Interior.

MAY 8, 1953.

DEPARTMENT OF THE INTERIOR,
Washington, D. C., September 15, 1951.

Order No. 2663.

Subject: Disposition by Bonneville Power Administration of power from certain projects, and related matters.

Order No. 2115 (10 F. R. 14211), as amended by order No. 2237 (11 F. R. 8830), is hereby amended as follows:

1. The following is substituted for the first and second sentences of paragraph 1 of order No. 2115, as amended: "The Bonneville Power Administrator (hereinafter called the Administrator) is hereby designated the marketing agent for the surplus electric energy of all projects, now or hereafter constructed in the drainage basin of the Columbia River and its tributaries and in such other river basins as drain into the Pacific Ocean in the States of Washington and Oregon, for

which the Secretary of the Interior is authorized to market power pursuant to the Act of December 22, 1944, (ch. 665, sec. 5, 58 Stat. 887), and the Act of March 2, 1945 (ch. 19, sec. 2, 59 Stat. 10).

2. The following is substituted for the second sentence of paragraph 2 of said order, as amended: "The Administrator may exercise such of the powers and functions vested in the Secretary by any act governing the marketing of the power and energy available to the Administrator under this order as may be necessary or appropriate for the effective marketing of such power and energy under said acts and this order."

OSCAR L. CHAPMAN,
Secretary of the Interior.

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington 25, D. C., August 9, 1946.

Order No. 2237.

Subject: Disposition by Bonneville Power Administration of power from certain projects, and related matters.

Order No. 2115 is hereby amended by inserting the following between the first and second sentences of paragraph 1 thereof:

"The Administrator is further designated the marketing agent for the surplus electric energy of the Foster Creek project authorized by the act of July 24, 1946 (Public Law 525, 79th Cong., 2d sess.), the marketing of such energy by the Secretary of the Interior being authorized by the act of December 22, 1944 (Public Law 534, 78th Cong., 2d sess.)."

J. A. KRUG,
Secretary of the Interior.

DEPARTMENT OF THE INTERIOR,
Washington, D. C., October 16, 1945.

Order No. 2115.

Subject: Disposition by Bonneville Power Administration of power from certain projects, and related matters.

1. The Bonneville Power Administrator (hereinafter called the Administrator) is hereby designated the marketing agent for the surplus electric energy of the Lookout Point, Quartz Creek, and Detroit projects, authorized by the act of December 22, 1944 (Public Law 534, 78th Cong., 2d sess.), and of the Umatilla and lower Snake River projects, authorized by the act of March 2, 1945 (Public Law 14, 79th Cong., 1st sess.), which acts authorize the marketing of such energy by the Secretary of the Interior. The Administrator shall assume the duty of marketing such energy in addition to the marketing of surplus electric energy of the Bonneville project as directed by the act of August 20, 1937 (50 Stat. 731), as amended, and the Grand Coulee and Hungry Horse projects, which he has been heretofore designated as market agent. In view of the increased responsibilities of the Administrator, this order is issued to define and amplify existing policies and procedures and the relationships of the Administrator with the Department as set forth in applicable departmental orders establishing and defining such relationships and procedures which are hereby reaffirmed without modification.

2. The Administrator is directed, to such extent and in such manner as in his judgment the public interest may require and as are consistent with applicable statutes and Executive orders, (a) to integrate the power facilities of all projects for which he is the marketing agent of surplus power: *Provided*, That nothing in this order shall be construed as conferring authority over the operation of power-producing facilities of such projects; (b) to interconnect such projects with publicly owned power systems and to exchange electric energy with and purchase and sell electric energy from and to such systems; and (c) to sell and dispose of all electric energy in accordance with the policies of the act of August 20, 1937 (50 Stat. 731), as amended, and the act of December 22, 1944 (Public Law 534, 78th Cong., 2d sess.), and, with respect to the Columbia Basin project, in accordance with the policies of the Federal reclamation laws. The Administrator may exercise such of the powers and functions vested in the Secretary by the act of June 5, 1944 (Public Law 329, 78th Cong.), the act of December 22, 1944 (Public Law 534, 78th Cong.), and the act of March

2, 1945 (Public Law 14, 79th Cong.), as may be necessary or appropriate for the effective marketing of the power and energy available to the Administrator under said acts and this order. In carrying out the integrated operation of the projects for which he is designated the marketing agent, the Administrator, through such employees as he may designate, may exercise any of the functions vested in him with respect to any project.

3. The Administrator is directed to make such surveys, investigations, studies, and informational reports as he may determine to be useful or appropriate in connection with the marketing of power and in carrying out the functions vested in him by law or this order. The Administrator is further directed to undertake or to cooperate or participate in such engineering and research and demonstrational work as he deems necessary or appropriate (*a*) to develop and to test or demonstrate the results of such surveys, investigations, and studies; (*b*) to promote the wider and improved use of electric energy for industrial, domestic, and agricultural purposes, and the furtherance of the marketing policies established by the act of August 20, 1937 (50 Stat. 731); and (*c*) more efficiently to develop and to carry out the functions vested in him by said act of August 20, 1937 (50 Stat. 731), as amended, or entrusted to the Administrator under any other act or under this or any other executive or administrative order. The Administrator so far as practicable shall consult and cooperate with the several Federal departments and agencies having an interest in the resource development of the Pacific Northwest and with the States and public and cooperative agencies in the making of studies, the collecting and dissemination of information and data, the development of plans, and the research and demonstrational work contemplated by this order.

4. For the coordination and integration of the programs, projects, and activities of the agencies in the Department having an interest in developing the resources of the Pacific Northwest and for the elimination of waste and duplication of effort, the Administrator shall advise those agencies within the Department engaged in activities relating to or affecting power supply or water resources of the Pacific Northwest of the nature, scope, and progress of such activities conducted by the Administrator and shall make available to such agencies such data and information in relation thereto as may be useful to them in the performance of their duties. All agencies within the Department, including field offices thereof, engaged in activities relating to or affecting the power supply or water resources of the Pacific Northwest shall cooperate in like fashion with the Administrator and shall keep him advised of the nature, scope, and progress of their activities in the Pacific Northwest and shall make available to him such data and information in relation thereto as may be useful to the Administrator in the performance of his duties hereunder.

5. The Administrator, or such person as he may designate, is hereby made a member of the Water Resources Committee. The Administrator shall be given opportunity to participate in the work of any intradepartmental or interdepartmental organization or committee on which the Department now or in the future has representation for the making of surveys, investigations, or studies affecting power matters in or the water resources of the Pacific Northwest.

6. To provide the widest possible use of and reasonable outlets for electric energy marketed by the Administrator and the purchase thereof by the ultimate consumer at the lowest possible rates consistent with sound business principles and to prevent the monopolization of such energy by limited groups, the Administrator is directed, to such extent and in such manner as in his judgment the public interest may require and as are consistent with the act of August 20, 1937 (50 Stat. 731), and other applicable statutes and executive orders (*a*) to assist public bodies and cooperatives who are purchasers or potential purchasers of electric energy from the Administrator in the acquisition of electrical facilities and distribution system, or any portion or portions thereof; and (*b*) to render to purchasers and potential purchasers of electric energy from the Administrator services pertaining to the financing, operation, or maintenance of facilities and equipment for receiving, using, or distributing electric energy or to the sale of such energy.

7. Subject to applicable statutes and executive orders, the Administrator is directed to dispose of electric energy to Federal agencies and to sell such energy to other purchasers, under contracts or agreements which contain such terms and conditions as in the judgment of the Administrator the public interest may require. Provision should be made in contracts with privately owned utilities engaged in the sale of electric energy to the general public, so that such contracts will not adversely affect public bodies and cooperatives which may exist or

thereafter be organized and which may desire to become purchasers of power from the Administrator in the area served by such private utility company. Contracts should contain such terms and conditions as may be necessary to effectuate the policy that electric energy be made available to the ultimate consumer at reasonable rates.

8. The Administrator shall submit promptly to the Secretary through the Division of Power a monthly and annual consolidated report of power operation covering all Federal projects from which the Administrator markets power, and the Administrator's transmission system and showing the income and expenses, including depreciation, the allocation of fixed capital investments, and related financial and statistical information connected with the generation, purchase, and sale of electric power through the Administrator's transmission system. The Administrator shall be held responsible for establishing cooperative arrangements with other Federal agencies for the exchange of such information, records, and accounts as may be necessary for the compilation of the reports, copies of which shall be supplied to such agencies.

9. The powers vested in the Administrator shall be subject to the general supervision and direction of the Secretary of the Interior as provided by law and in applicable departmental orders.

HAROLD L. ICKES,
Secretary of the Interior

UNITED STATES DEPARTMENT OF THE INTERIOR,
Washington, September 26, 1944.

Order No. 1994.

Subject: Hungry Horse Dam project; assignment of functions to Bureau of Reclamation and Bonneville Power Administrator.

Pending the issuance of an order making complete provision for carrying out the purposes of Public Law 329, 78th Congress, 2d session, approved June 5, 1944, entitled "An act to provide for the partial construction of the Hungry Horse Dam on the South Fork of the Flathead River in the State of Montana and for other purposes," and in accordance with the terms of that act it is ordered as follows:

1. The Bureau of Reclamation is hereby designated as the agency, under the direction and supervision of the Secretary of the Interior, to carry out the functions and duties of the Secretary under Public Law 329, 78th Congress, 2d session, with respect to the design, construction, operation, and maintenance of the Hungry Horse Dam project in accordance with the terms of the above act. The Bureau in the design of the power generating facilities to be installed at the dam shall cooperate and consult with the Bonneville Power Administration.

2. The Bonneville Power Administrator is hereby designated as the agent, under the direction and supervision of the Secretary, to sell and dispose of electric power and energy generated at the Hungry Horse Dam project and not required for the construction, operation, and maintenance of the project, including the irrigation works that may be authorized and constructed in connection therewith.

3. Pending the issuance of a final order fixing the responsibilities of the Bureau and the Administrator, each is authorized to proceed with necessary investigations and plans and with the submission of appropriate budget estimates to enable it to prepare to meet its responsibilities as herein outlined.

HAROLD L. ICKES,
Secretary of the Interior.

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